French economy

How the franc was saved

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Euro Disney

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Section IV

Tomorrow's Weekend FT

How the Pequot tribe turned the tables on their conquerors

FINANCIAL TIMES

Europe's Business Newspaper | FRIDAY NOVEMBER 20 1992 | D8523A

Gatt negotiators hope to reach deal on oilseeds

US and EC trade negotiators claimed there was "a serious chance of making a deal" on EC oilseeds subsidies and averting a trade war. The optimistic comments came as talks resumed in Washington aimed at breaking the logjam in the Uruguay Round of world trade reforms.

However the mood behind the scenes was less optimistic, with observers saying the two sides were still far apart on critical issues. Page 16

Daimler-Benz, Germany's biggest company, posted an 8 per cent fall in net profits to DM1.27bn ($795m) for the first nine months of this year, a performance attributed to "unexpected difficulties" in its vehicles divisions. Page 17; Daimler-Benz rules out Daf stake, Page 20; Lex, Page 16

Euro Disney confirms analysts' fears: Euro Disney, beset by controversy since it opened its Euro Disneyland theme park in April, confirmed analysts' gloomy predictions by announcing a loss for last year. The results, the first annual figures to be published since Euro Disneyland's launch, reveal a loss of FFr188m ($35m) for the year ended September. Euro Disneyland, whose chairman Robert Fitzpatrick is pictured at a press conference yesterday, warned of further losses for this year. Page 17; Lex, Page 16

Clinton meets Congress leaders: US President-elect Bill Clinton set out to establish a good relationship with Congress in meetings on Capitol Hill with leaders from both parties, focusing on health care, economic stimulus and budget deficit reduction. Page 5

AT&T, US telecoms company, plans to float 15 per cent of AT&T Capital, its equipment leasing and finance subsidiary, in a move aimed at giving the unit greater financial independence. Page 20

Olympia & York, once the world's biggest property developer, is likely to shrink to a modest-sized property manager during the next few months under an agreement with its creditors. Page 17

Volvo, Swedish motor vehicle group which has substantial cross-shareholdings with Renault of France, reported a SKr707m ($116m) loss after financial items for the first nine months of 1992. Page 17

N Korean military aid: Russian president Boris Yeltsin, seeking to cement ties with Seoul, told the South Korean parliament he was suspending military aid to North Korea. Page 6

Pretoria rejects Goldstone findings: The South African government rejected evidence from a judicial commission suggesting that the army had plotted to undermine the ANC. Page 6

Greece joins WEU: The Western European Union will today expand its role as the fledgling defence arm of the EC by welcoming Greece as a full member, but Denmark and Ireland have only agreed to observer status. Page 2

Protests at Thai stock plunge: Investors protested outside the Stock Exchange of Thailand for the second day as share prices continued to plunge in response to government moves to control speculators. Page 6

HDTV deal faces delay: Agreement on Ecu850m ($1bn) of funding to promote wide-screen high-definition television (HDTV) in the EC could be held up until after the Edinburgh summit.

Savimbi backs down: Unita rebel leader Jonas Savimbi, whose refusal to accept the outcome of last September's elections has threatened Angola with renewed civil war, is reported to have now accepted the first-round results. Page 6

Bond cleared: Alan Bond, the bankrupt Australian entrepreneur, was cleared by a Perth jury of dishonestly inducing a businessman to take part in the A$370m ($255m) rescue of a collapsed merchant bank run by a fellow entrepreneur. Page 6

Tourist attacks to continue: A leader of a Moslem militant group fighting to overthrow the Egyptian government says it will keep up its attacks on tourists until the state stops torture, releases detainees and allows it to preach freely.

Japan's securities houses: Giving up hope for a rapid return to the free-spending 1980s, Japanese securities houses have drawn up plans for survival in bleaker times. Page 21

■ STOCK MARKET INDICES		
FT-SE 100:	2,708.2	(+2.2)
Yield	4.45	
FT-SE Eurotrack 100	1,047.93	(-3.43)
FT-A All-Share	1,284.33	(+0.1%)
Nikkei	16,871.31	(+92.47)
New York lunchtime		
Dow Jones Ind Ave	3,208.72	(+1.35)
S&P Composite	422.84	(+0.09)
■ US LUNCHTIME RATES		
Federal Funds:	2⅞%	
3-mo Treas Bills: Yld	3.199%	
Long Bond	101⅛	
Yield	7.53%	
■ LONDON MONEY		
3-mo Interbank	7⅞%	(7¼%)
Liffe long gilt future:	Dec 100½	(Dec100⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$19.425	(19.075)
■ Gold		
New York Comex (Nov)	$333.3	(335.2)
London	$334.15	(335)

■ STERLING		
New York lunchtime:		
$	1.537	
London:		
$	1.5325	(1.521)
DM	2.42	(2.43)
FFr	8.18	(8.1975)
SFr	2.195	(2.215)
Y	189.25	(same)
£ Index	78.4	(78.1)
■ DOLLAR		
New York lunchtime:		
DM	1.574	
FFr	5.3235	
SFr	1.4285	
Y	123.38	
London:		
DM	1.579	(1.5975)
FFr	5.3375	(5.39)
SFr	1.4325	(1.456)
Y	123.45	(124.35)
$ Index	65.8	(65.2)
Tokyo close Y 123.89		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP60.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L5000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00		

Central bank intervenes after interest rate leap fails to stem drain on reserves

Speculators force Sweden to drop link with ERM

By Robert Taylor in Stockholm

SWEDEN yesterday abandoned efforts to peg the krona to the European currency unit, floating its battered currency after a speculative outflow of capital threatened to wipe out reserves.

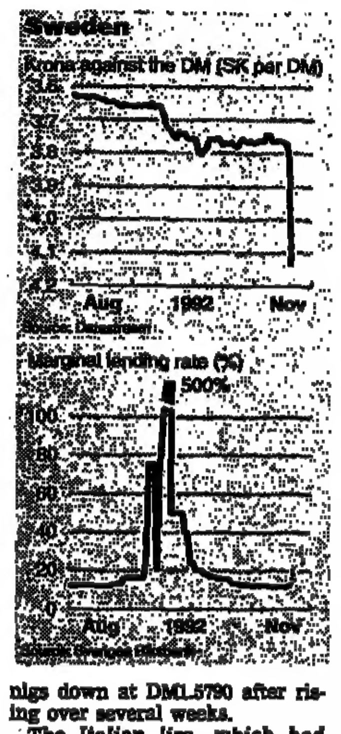
The decision by the Riksbank, the central bank, followed the failure of attempts during the morning to prop up the currency by raising interest rates. The events – strongly reminiscent of Black Wednesday on September 16 in which Britain pulled sterling out of the European exchange rate mechanism – heightened tensions last night within the ERM.

Sweden, although not a member of the ERM, has for the past 18 months pegged the krona to the Ecu.

European finance ministers faced pressure to consider another realignment of the system, as the floating of the krona led to intense buying of the D-Mark which was pushed higher against the dollar and European currencies.

There has been growing speculation in recent weeks that several ERM currencies including the peseta, escudo and Irish punt might need to be realigned against the D-Mark.

The dollar closed nearly 2 pfennigs down at DM1.5790 after rising over several weeks.



The Italian lira, which had appreciated sharply as investors grow more confident about the Italian government's emergency package, fell to a close of L859.1 against the D-Mark from a previous L855.1. Later, in US trading, it slid further to L863.

The French franc, now regarded as one of the strongest currencies in the ERM, closed at FFr3.38 against the D-Mark, down 0.7 centimes on the day.

Yesterday the krona fell by some 7.3 per cent against the dollar to SKr6.5325.

Mr Carl Bildt, Sweden's prime minister, said the Riksbank's decision represented "a failure for the national effort which had been made to protect the value of the krona", adding: "We have done all we could to hold the fixed exchange rate."

The central bank, having weathered the earlier ERM crisis by pushing marginal interbank rates as high as 500 per cent, said similar tactics yesterday were not working. After lifting the marginal rate to 20 per cent from 11.5 per cent, the rate ended the day back at 12.5 per cent.

Yesterday's traumas developed as Mr Bildt and Mrs Anne Wibble, his finance minister, rushed out a SKr30bn crisis package to improve internal competitiveness and calm the markets. But the opposition Social Democrats refused to support it, saying it lacked credibility. This was in contrast to September when all the main political parties agreed on measures to save the krona.

Swedish Black Thursday: Carl Bildt, Sweden's prime minister, flanked by Anne Wibble, his finance minister, in Stockholm after a morning of failed attempts by the central bank to prop up the krona

The central bank said there had been "massive speculation against the krona" with an estimated SKr158bn flowing out of Sweden since last Thursday, compared with a SKr80bn outflow in September's currency crisis.

Mr Bengt Dennis, the Riksbank governor, said the decision to raise the marginal rate to 20 per cent "proved insufficient" to stabilise the currency and he concluded: "In the current circumstances additional increases in interest rates would not create market stability." He added: "We could not see the possibility of stopping the outward flow."

The Swedish government also announced the abolition of 10-year-old restrictions that prevent the state borrowing in foreign currency to finance its debts. Mr Bildt and Mrs Wibble said there would be changes in the details of the latest crisis package. These are likely to come in the budget statement in January. Before then Mr Bildt said the government would publish a new assessment of economic prospects.

Business responds cautiously to currency flotation, Page 2

EC commissioner backs call for growth package

By Lionel Barber in Brussels

MR HENNING Christophersen, EC economics commissioner, yesterday threw his weight behind calls for a Community-led growth package, warning that unemployment next year was likely to rise to 11 per cent amid sluggish growth of between 1 per cent and 1.5 per cent.

Mr Christophersen, in a speech in Brussels, said he hoped the EC summit in Edinburgh next month would send a "strong signal" of support for co-ordinated action based on a multi-billion dollar public works programme and joint efforts with Japan and the US to put "more steam" into the world economy.

The Danish commissioner also implied that such a package could entail dilution of the conditions for the EC's planned shift to a common currency, particularly in regard to budget deficits.

He said: "What we are seeing is more a lack of revenue [rather] than expenditures getting out of control. Under these circumstances, it would be understandable if some member states do not compensate fully on the revenue side."

Any suggestion of backsliding on the "convergence criteria" set out in the Maastricht treaty is bound to raise alarm in Germany. The Bonn government and the Bundesbank agreed to sacrifice the D-Mark for a common European currency only on the condition that member states met strict criteria on inflation and budget discipline.

This week, Mr Helmut Schlesinger, Bundesbank president, criticised the convergence criteria as inadequate and warned against "lazy compromises" in the selection of countries for monetary union.

Mr Christophersen's view that the criteria on budget deficits may have to be relaxed in the short term is shared by Mr Jacques Delors, European Commission president.

Officials close to Mr Delors yesterday said a growth package involving at least Ecu5bn ($6.15bn) of new loans from a European Investment Fund or the European Investment Bank would be combined with planned increases to the EC budget under the Delors II package.

A primary target is infrastructure investment in eastern Europe, viewed as a powerful sales-pitch to Germany. There is speculation in Brussels that German opposition to the Delors growth initiative could soften if EC member states, particularly Spain, drop their opposition to enlargement talks going ahead early next year with the richer Efta countries led by Austria, Sweden, and Finland.

Germany, which is saddled with huge budget deficits as a result of unification, is looking for other countries to share the burden of being the paymaster of Europe. Mr Christophersen said yesterday that an early start to enlargement talks could help ratification of Maastricht in the UK and Denmark.

UK businesses to shed 10,000 jobs

By John Gapper and Richard Tomkins

GOVERNMENT hopes of an upturn in economic confidence were yesterday set back by announcements of almost 10,000 job cuts across British industry. The cuts included 3,500 jobs at the Royal Bank of Scotland over the next five years and 5,000 at British Rail.

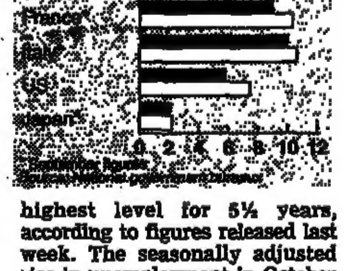
The announcements were a setback for ministers who hoped the Autumn Statement last week would be a turning point in economic optimism and restore the government's standing.

They coincided with the publication of the Bank of England's quarterly bulletin, which said companies have been shedding labour at an accelerating rate as productivity in manufacturing and services has risen.

In spite of the news, Mr Michael Portillo, chief secretary to the Treasury, told the Commons the Treasury's achievement had been "to create the conditions for a return of confidence and so remove a barrier to growth".

Mr Gordon Brown, shadow chancellor, said the job cuts showed the economy was "not only still stuck in recession, but that decline is sharpening". He said the government should introduce an emergency employment programme.

Unemployment has reached its highest level for 5½ years, according to figures released last week. The seasonally adjusted rise in unemployment in October was 24,200: the total 2.87m.



Yesterday's job loss announcements included:

● 3,500 jobs over five years at the Royal Bank of Scotland out of a total of 13,000 in branch banking as it reforms branch services and automates some routine processing jobs. It believed that staff turnover would enable it to restrict redundancies to less than 300 per year. It is the latest of the British clearing banks to announce reductions in staffing.

● 550 jobs at Blue Circle Industries which said it was closing a sixth of its UK cement-making capacity and eliminating a fifth of its workforce because of

Continued on Page 16

German groups hit by recession

By Christopher Parkes and David Waller in Frankfurt

GERMAN business, caught off guard by a sharp downturn in company fortunes, yesterday launched its third-quarter reporting round with black news from two blue-chip corporations.

Daimler-Benz, the country's biggest group with sales of about DM100bn ($63bn), yesterday blamed "unexpected difficulties" in its Mercedes-Benz automotive division for an 8 per cent profits drop in the first nine months of this year.

Meanwhile, Mr Jürgen Strube, chairman of BASF, one of Europe's leading chemicals companies, announced a 45 per cent profits nose-dive, and remarked: "we are not as crisis-resistant as we thought".

In another development, Audi, the quality car division of Volkswagen, became the latest large German company to announce large job cuts in response to rapidly deteriorating business conditions.

Audi said it was planning to reduce its workforce by 3,000-4,000 people next year, about 10 per cent of the 37,500 people cur-

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Audi, BASF results, Page 17

Daimler-Benz results, Page 18

CONTENTS

UK accused of holding up TV deal

By Andrew Hill in Brussels

BRITAIN was yesterday accused of abusing its position as European Community president and hampering progress towards an agreement on European high-definition television (HDTV).

At a meeting of EC telecommunications ministers, the UK refused to issue a statement backed by its 11 EC partners calling for another meeting after the Edinburgh summit to discuss funding for an EC HDTV strategy.

Instead, Mr Edward Leigh, the British industry minister chairing yesterday's meeting, said the UK would "reflect" on the demand and decide after next month's summit.

Britain has several times been accused of putting its national interests above those of the EC during the six-month presidency. In particular, other EC members have attacked the UK's insistence on a detailed reexamination of the EC budget proposals for 1993-97.

Mr Leigh's stance incensed the European Commission and other ministers. Mrs Hanja May-Weggen, the Dutch transport and communications minister, told journalists Britain was "sabotaging" progress towards an accord.

Britain opposes the Commission proposal to pump Ecu850m ($1bn) of EC funding into the promotion of wide-screen HDTV over five years.

Yesterday 10 member states – all except Britain and Denmark – agreed to back the substance of the Commission's HDTV action plan, conditional on later budget decisions.

Sitting alongside Mr Leigh at a press conference afterwards, an angry Mr Filippo Maria Pandolfi, EC telecoms commissioner, said: "In my judgment everything is ready for an agreement except the financial position."

Formal agreement on the action plan, which would fund consortia wanting to provide wide-screen TV services in Europe, has to be unanimous.

Britain said its hardline position on the vital cash element of the plan was backed by six other member states.

Sudden central bank decision takes prime minister by surprise

Sweden admits defeat in battle for krona

By Robert Taylor in Stockholm

THE sudden decision to float the Swedish krona yesterday afternoon by the central bank took even the government by surprise. Mr Carl Bildt, prime minister, was given just 10 minutes' notice by central bank governor Mr Bengt Dennis of what had to be done to stem the huge outflow of capital from the country.

A shaken and bewildered Mr Bildt said the krona would have to float "for some time" but he asserted: "You cannot run an economic policy with a floating exchange rate. European countries cannot be floating against each other. It won't work. I don't believe in this policy."

Ever the good European who still wants to see Sweden as an obedient member of a future economic and monetary union, Mr Bildt insisted that his medium- and longer-term strategy had not been blown off course to take his country into an economically integrated EC. The prime minister said it was too early to discuss what his coalition government would do in the short run. This would have to wait for January's budget for 1993-1994.

More problematically, the previous bipartisan support for tough measures was missing yesterday. In September the main opposition joined forces with the government in hammering out two crisis packages to eliminate the burgeoning budget deficit and improve internal cost competitiveness. There was an impressive display of national unity and not a serious voice raised in support of devaluation.

"Against all the odds we succeeded," said Mr Bildt. "But we [Sweden] were always alone in our defence of the fixed exchange rate policy." It meant draconian interest rates, with a symbolic 500 per cent for a few days imposed by the central bank on its overnight lending to the banks.

Since Tuesday Mr Bildt and others have tried to win over the Social Democrats for a further crisis package to impress the markets. Only early yesterday afternoon came the answer. The Social Democratic leadership said it no longer "believed in the policy" that the government was proposing. "They threw in the towel," complained one government adviser. "When it came to the crunch they could accept no more cuts in public spending."

There is no immediate threat to the four-party coalition. But without Social Democratic support, Mr Bildt's latest SKr30bn (£3.3bn) package announced yesterday morning to try to avert the crisis already lacked political credibility, especially as the other main opposition party, the right-wing New Democracy came out for floating the krona.

But it is hard to believe this would have been enough to calm the markets. The central bank admitted Sweden's financial position was far graver than in September.

Since last Thursday SKr158bn had flowed out of the country, compared with SKr80bn over the three weeks of the earlier crisis.

The trouble started on November 12, when market interest rates began to rise sharply on hearing of the poor results of the Swedish National Debt Office's issue of $2bn (£1.3bn) bonds as part of its emergency borrowing programme to replenish the country's reserves and help fund the budget deficit.

As the central bank admitted yesterday this pointed to "rising difficulties" in financing the budget deficit of Skr160bn for the current financial year. For the first time since September capital began to flow out of the country. The central bank acted last Friday to dampen interest rates by buying SKr45bn of Treasury bills, but this made little difference.

At the start of this week foreign as well as domestic players began to sell Swedish krona in increasing volume. The arrival of large US banks on the scene on Tuesday escalated the crisis.

Unlike Mr John Major, the UK prime minister, Mr Bildt sees no advantages for his country in a floating currency. He does not believe in a "national" solution to Sweden's economic troubles.

He also insists the longer-term structural reforms designed to make Sweden more competitive and prosperous are in place and more will come next year.

Business responds cautiously to currency flotation

By Christopher Brown-Humes in Stockholm

THE decision to let the krona float was received with surprising caution by hard-pressed corporate Sweden, with many executives worried about its long-term impact on inflation.

However, industry leaders acknowledged the move would have a positive short-term effect on their exports and help them regain lost business in key markets.

The fear is that Sweden will repeat the mistakes of previous devaluations and gain no long-term economic benefit.

"We must avoid the disastrous mistakes of the 1980s," said Mr Magnus Lemmel, managing director of the Federation of Swedish Industries. He called on the government to keep in place measures to strengthen industry's competitiveness.

Other industry leaders echoed his views, and suggested the high price of defending the krona might prove worthwhile if the measures adopted in Sweden's recent crisis packages wrought permanent change away from the old bias towards social welfare expenditure.

Sweden's forest industry groups, badly affected by the flotation of the Finnish markka in September, will be among the main beneficiaries of yesterday's move.

But Mr Jan Remrod, director general of the Swedish paper and pulp association, said: "The important thing is that this does not lead to inflation or wage increases, and that it does not undo what we have already achieved in the way of improved efficiency."

Mr Soren Gyll, Volvo chief executive, said floating the krona would benefit the group, as 90 per cent of its sales were outside Sweden. He estimated that the move would result in an effective devaluation of 10 per cent.

● Norway's Finance Ministry and central bank responded to the Swedish crisis by standing firm on maintaining the exchange rate policy, adopted in October 1990, which pegs the Norwegian krone to the Ecu, Karen Fossli writes from Oslo.

The domestic one-month money-market rate shot up to 45 per cent after Sweden's decision to float the krona, from 13.80 per cent earlier in the day.

The Bank of Norway announced it was limiting overnight lending to banks from today. It said it would introduce a system under which individual banks' daily withdrawals would be limited to 50 per cent of the amount available for overnight lending.

For withdrawals exceeding this amount, an extra interest rate of 40 per cent will be imposed.

Growing markets for 'green' goods

By David Gardner in Brussels

TIGHTER environmental standards offer business "huge opportunities" in the fast growing market for "green" goods and services, a conference on European business and the environment heard yesterday.

Mr Michael Howard, UK environment secretary, said the market for environmental goods was already worth more than the global aerospace industry, at some $200bn a year. Over the next eight years, he said, the total market would be worth £850bn in the EC and £1,000bn in the US.

The conference coincided with the publication of a survey for the European Commission, showing that 86 per cent of EC citizens are concerned about the effect of industry on the environment.

Mr Karel Van Miert, the EC environment commissioner, underlined that it was "in the interests of industry to pursue a policy which fully integrates environmental considerations."

Mr Van Miert, later reiterated that the Commission remained "fully committed" to its proposal for an energy tax, equivalent to up to $10 on a barrel of oil by the year 2000.

Unions offer deal on east Germany

By Quentin Peel in Bonn

GERMANY'S trade unions have presented the government with a list of measures to revive the east German economy, in exchange for restraining wage demands.

At a private meeting on Monday, the union leaders warned Chancellor Helmut Kohl that he must introduce a comprehensive industrial policy to preserve key enterprises in east Germany's manufacturing base, even if they cannot be privatised.

The German government must also extend its costly labour market measures – such as job-creation schemes, and huge retraining programmes – and embark on new programmes to promote east German products in the west and in eastern Europe.

They also called for concerted action from the German government, and other western industrialised states, to revive international economic activity, and for clear relaxation of monetary policy by the German Bundesbank, to stimulate economic growth and curb the rise in unemployment.

The trade union position was spelt out at a meeting in the chancellor's office on Monday night, which involved Mr Franz Steinkühler, leader of IG Metall, the giant engineering workers' union, Mrs Monika Wulf-Mathies of the ÖTV public sector union, Mr Hermann Rappe of IG Chemie, the chemical workers union, and Mr Heinz-Werner Meyer, chairman of the DGB union federation.

News of the meeting, the first top-level talks on Mr Kohl's planned solidarity pact, leaked out yesterday, prompting bitter recriminations within the government. Mr Theo Waigel, the finance minister who attended, accused his colleague Mr Jürgen Möllemann, the economics minister, of "wild garrulousness", for allegedly letting out the secret.

From the union side, Mr Steinkühler refused to give any details, but expressed disappointment that the government had failed to present any clear ideas of its own on the content of the planned pact.

The union leaders are under some pressure for participating at all, with a sharp attack yesterday from Mr Detlef Hensche, leader of the hard-left union IG Medien, representing printing workers, for taking part in "secret diplomacy".

The trade union platform goes far beyond what the German government has been ready to do so far to support lame-duck industries in the east, and would require the maintenance of massive subsidies, running at a net flow of DM150bn (£62bn) a year from west to east.

The question now is how far Mr Kohl is prepared to compromise his market-oriented approach in order to win union support for the solidarity pact.

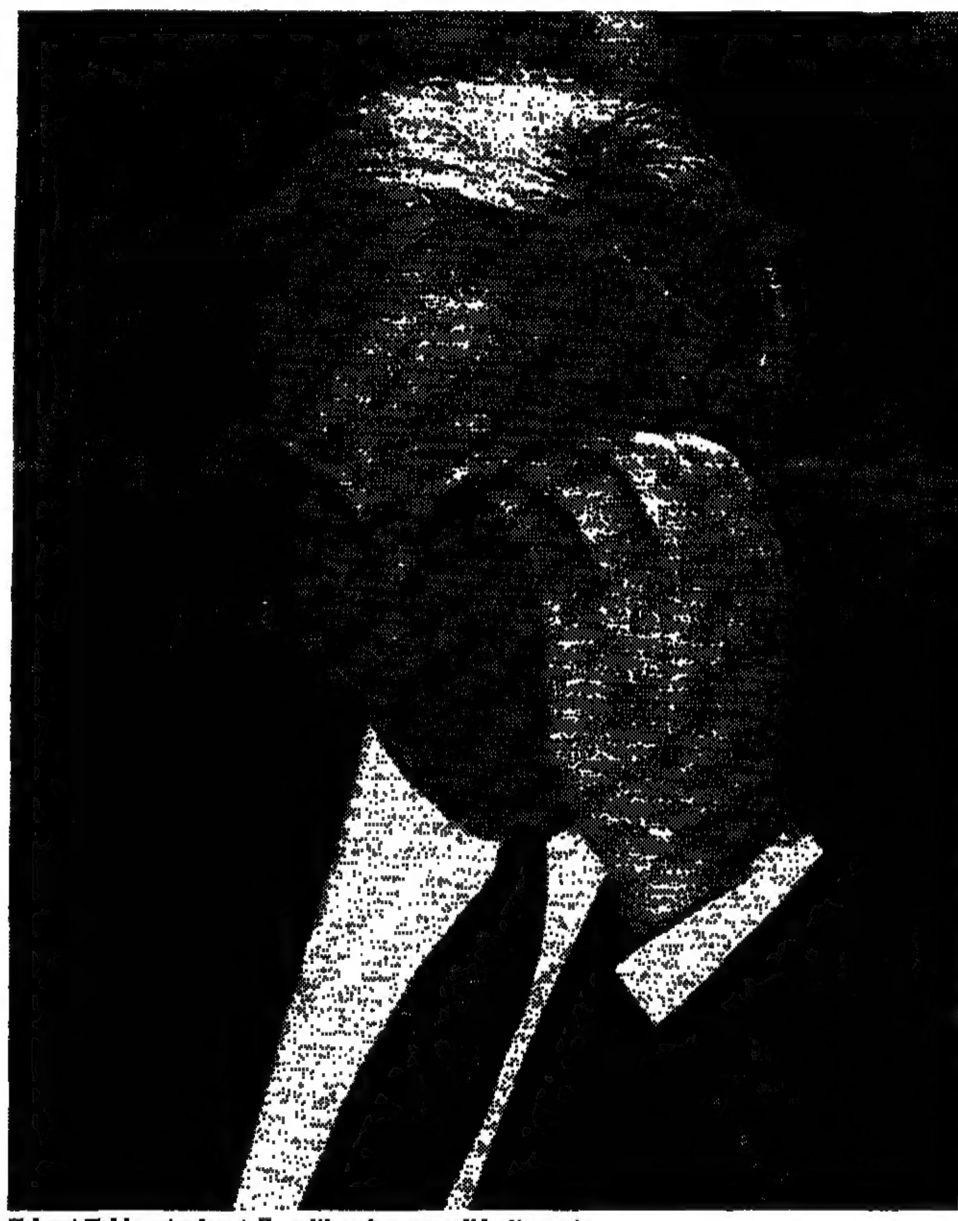
But the very fact that the talks have begun, and that both sides apparently agreed to keep them secret, suggests both are interested in a deal.

Mr Kohl will meet Mr Björn Engholm, leader of the opposition Social Democrats, on Monday to discuss the state of the German economy and the basis of the planned solidarity pact. Mr Engholm can be expected to back the union position.

● The German government and opposition hope to reach agreement this year on new rules to curb the flood of would-be immigrants, party leaders said yesterday.

They agreed to hold two days of talks to thrash out a compromise later this month.

The move has been made possible by this week's agreement within the opposition Social Democrats (SPD) to accept some amendment of the constitution on the all-embracing right to political asylum.



Helmut Kohl yesterday: talks with unions on solidarity pact

Doubts over EC steel aid plan

By Andrew Hill in Brussels and Andrew Baxter in London

EUROPEAN steelmakers yesterday gave a cautious welcome to Commission plans to support restructuring of the industry.

However, Commission and national officials voiced doubts about the sums of EC money available to help steel producers, which are suffering from the economic downturn, competition from cheap non-EC imports and overcapacity.

Mr Martin Bangemann, EC industry commissioner, said on Wednesday that up to Ecu900m (£731m) could be available to the industry over three years, half from Community funds and half from member states.

But Commission officials pointed out yesterday that only Ecu240m of the Brussels plan was new money, and it was unclear whether EC members would agree to match that funding.

"If the finance ministers are not ready to do anything our contribution will obviously go down too," said one Commission official.

Eurofer, the European steel industry federation, called on the governments of member states "to respect their responsibilities...by making available at least the same amount" as the Commission. Under coal and steel treaty rules, funding by the Commission for national industries depends on equal or greater funding from the member state concerned.

EC industry ministers will discuss the plan on Tuesday, but they will not be required to take a formal decision.

Other elements of the plan include strengthening protection against cheap non-EC imports and examining where capacity cuts have to be made.

British Steel said the Brussels plan was a step in the right direction.

It would be discussing with the UK government and the Commission how to ensure that the plan achieved the necessary restructuring and was adequate to deal with East European imports.

A major continental steel company said it was clear that the Commission was now "more conscious" of the steel industry's problems, and recognised that the influence of eastern European imports could damage the market.

But steel producers are still anxiously awaiting the result of Tuesday's EC industry ministers meeting, which will discuss a controversial plan by the state-controlled Spanish steel industry to rebuild a steel mill at Sestoa in northern Spain.

Steel dumping row, Page 16

Russian businesses move into the private sector

ABOUT 10 per cent of small business in Russia is now in private hands, according to experts from the International Finance Corporation, the World Bank division which is assisting the state privatisation committee, writes John Lloyd in Moscow.

Of the 14,222 shops and businesses now owned by the new merchant class, 8,499 were sold at auction. Many of the rest have been given away to the workers and managers. The government believes these have changed neither their habits nor the service quality inherited from the Soviet period.

French industry still sluggish

French industry remained sluggish in September, expanding just 0.2 per cent after a static July and August, according to Insee, the state statistics institute, writes Alice Rawsthorn in Paris.

A recent Bank of France analysis suggested industrial output fell in October, reflecting the global economic environment.

Greece welcomed into revived WEU

By Lionel Barber in Brussels and Kerin Hope in Athens

THE Western European Union will today expand its role as the fledgling defence arm of the European Community by welcoming Greece as a full member.

At a meeting in Rome, the WEU's foreign affairs and defence ministers will also sign agreements offering associate membership to Turkey, Norway and Iceland. But in a setback to the WEU's ambitions, Denmark and Ireland, both EC members, have agreed to observer status only.

Mr Wim van Eekelen, WEU secretary general, said yesterday he hoped Denmark, a member of Nato, and Ireland, traditionally neutral, would become full members after a period of transition.

France, Germany and some other members see the WEU as leading gradually to a common European defence policy under the political direction of EC governments as sketched out in the Maastricht treaty. Britain, however, has stressed the WEU's continuing close relationship with the Nato alliance.

Mr van Eekelen said the WEU was fast becoming the European "pillar" of the Nato alliance. A new planning cell will focus on peace-keeping, humanitarian aid, and crisis management and the WEU will move from London to new headquarters in Brussels.

The Greek government sees WEU membership both as an extra security guarantee at a time of regional upheaval, and as confirmation that Greece will not be excluded from helping to shape future EC policy on security and defence.

However, Greece had to make concessions during almost a year of negotiations, to ensure it would not exploit WEU membership as a guarantee against a perceived threat to its security from Turkey, a Nato ally.

Under Article 5 of the pact, WEU members must assist each other if attacked. Greece has accepted, as a condition of joining, that the assistance clause cannot be invoked in a dispute between Nato members.

Greece has also accepted Turkey's admission to the WEU as an associate member, with the right to participate in its activities.

Turning to Yugoslavia, Mr van Eekelen said the WEU would strengthen the naval blockade in the Adriatic through stop-and-search operations on vessels suspected of carrying banned cargo to Serbia and Montenegro, in accordance with a UN security council resolution adopted this week.

If a blockade had been enforced earlier, the Serbian bombardment of the historic town of Dubrovnik might have been prevented, he said.

The WEU secretary general conceded that the Europeans had a "credibility" problem in Yugoslavia, particularly in the light of recent failures to ensure food convoys reached their destinations in Bosnia-Hercegovina.

Although he raised the possibility of dispatching troops under the WEU banner, he said this could not be done without a clear mission. "No one wants to intervene massively in Yugoslavia."

● A Turkish proposal to convene a meeting of Balkan countries to discuss the Yugoslav crisis was immediately rejected yesterday by Greece, writes John Murray Brown in Ankara.

The Turkish move came in response to fears that recent violence in Macedonia and the Serb province of Kosovo could draw regional powers into the war.

It was also aimed at countering criticism at home of the government's inaction in the face of Serb attacks on Moslems in Bosnia.

At Geneva peace talks yesterday, Bosnia's rebel Serbs told international mediators that Croats, Moslems and Serbs could never again live together.

In a draft constitution, the Serbs, who control 70 per cent of war-torn Bosnia, insisted the country must be split into three ethnic mini-states.

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Germany slows fall in Europe's new car sales

By Kevin Done, Motor Industry Correspondent

NEW car sales in west Europe were boosted last month by an increase of around 5 per cent in registrations in Germany, the biggest single market in Europe.

The rise in Germany helped to compensate for falls in many of the small and medium-sized European markets and left sales in October virtually unchanged from the same month a year ago at 1.068m, an increase of 0.1 per cent.

According to industry estimates new car sales in west Europe in the first 10 months of the year totalled 11.56m, a decline of 1.4 per cent from the corresponding period a year ago.

New car registrations in Germany in the last couple of months have not yet begun to reflect the steep decline in new orders experienced by car makers since the summer.

The most recent industry forecasts suggest that new car sales in Germany could fall by around 11 per cent in 1993.

In the first 10 months of this year German new car sales are estimated to have fallen by 8 per cent to 3.36m from the record level reached in 1991 in the wake of reunification.

Current forecasts suggest that west European new car sales could fall by around 3.5 per cent next year, chiefly under the impact of falling demand in Germany and in Italy. The weakening trend is already clear in Italy where sales in October fell by 2.9 per cent year-on-year, the third consecutive monthly fall. In the first 10 months of the year new car sales in Italy were still 3.3 per cent higher than a year ago.

Sales have also been weakening in Spain, where new car demand in October fell by 9.1 per cent.

In the first 10 months new car sales in Spain were still 10.9 per cent higher than a year ago. Sales in France in October were unchanged.

In the UK, new car sales rose year-on-year by 8.2 per cent last month, but almost all of the boost came from the fleet sector. In the first 10 months sales were still 1.9 per cent below last year's already very depressed level.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-October 1992

	Volume (Units)	Volume Change(%)	Share (%) Jan-Oct 92	Share (%) Jan-Oct 91
TOTAL MARKET	11,563,000	−1.4	100.0	100.0
MANUFACTURERS:				
Volkswagen*(incl. Audi,SEAT&Skoda)	2,014,000	+5.9	17.4	16.2
General Motors (Opel/Vauxhall, US# & Saab)	1,433,000	+0.3	12.4	12.2
− Opel/Vauxhall	1,371,000	+0.8	11.9	11.6
− Saab**	44,000	−1.1	0.4	0.4
Peugeot (incl. Citroen)	1,399,000	+0.9	12.1	11.8
Fiat (incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	1,386,000	−7.6	12.0	12.8
Ford (Europe, US# & Jaguar)	1,334,000	−5.4	11.5	12.0
− Ford Europe	1,322,000	−5.3	11.4	11.9
− Jaguar	10,000	−13.9	0.1	0.1
Renault††	1,219,000	+4.1	10.5	10.0
BMW	383,000	+8.3	3.3	3.0
Nissan	371,000	−6.1	3.2	3.4
Mercedes-Benz	352,000	−11.8	3.0	3.4
Toyota	285,000	−11.2	2.5	2.7
Rover†	271,000	−11.4	2.3	2.6
Mazda	235,000	−9.8	2.0	2.2
Volvo††	172,000	+0.0	1.5	1.5
Honda†	154,000	+2.0	1.3	1.3
Mitsubishi	139,000	−19.4	1.2	1.5
Total Japanese	1,371,000	−7.9	11.9	12.7
MARKETS:				
Germany	3,360,000	−8.0	29.1	31.1
Italy	2,066,000	+3.3	17.9	17.1
France	1,707,000	+0.4	14.9	14.5
United Kingdom	1,407,000	−1.9	12.2	12.2
Spain	829,000	+10.9	7.2	6.4

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source : Industry estimates

Ireland turns to thoughts of Spring

Tim Coone reports on why the Labour party leader is riding high in the opinion polls

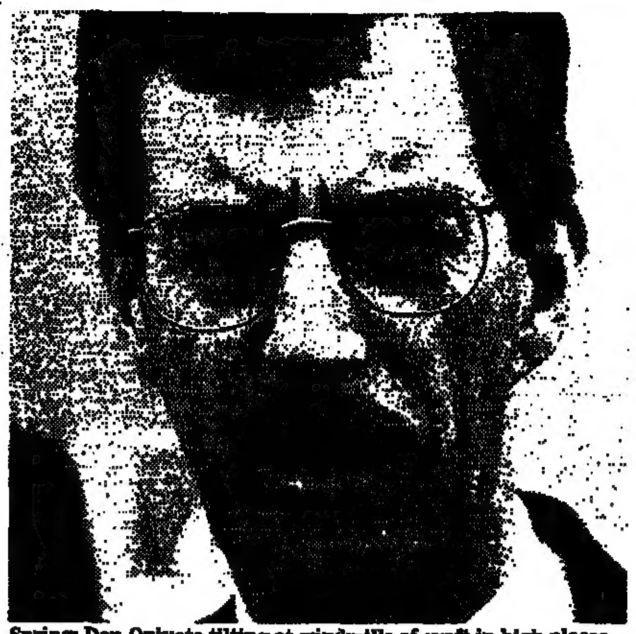
A LANKY, bespectacled figure, with a neatly clipped moustache, a firm handshake, and an air of gravitas, swept through north Dublin's street markets and shopping malls this week... with a promise of change.

Mr Dick Spring, the leader of the Irish Labour party, has serious ambitions of becoming the country's next prime minister. Riding high in the opinion polls, he has signalled to other party leaders that any discussions on coalition government after next week's general election will have to include the possibility of shared leadership if Labour is to join in.

On current poll projections, it is likely that neither Prime Minister Albert Reynolds' Fianna Fail nor Fine Gael, the two main parties, will win enough seats to form a government in the 166-seat Dail (parliament) on its own, nor with any of the smaller parties that have indicated a willingness to join a coalition.

Barring a last-minute blunder, it is probable that Labour will hold the balance of power with 20-25 seats, against 70-75 for Fianna Fail and maybe 50-55 for Fine Gael.

Polling only 6.4 per cent and 9.5 per cent in the 1987 and 1989 parliamentary elections respectively, Labour had its big breakthrough in the 1990 presidential election, when Mrs Mary Robinson, the Labour-backed candidate, won with 53 per cent of the vote.



Spring: Don Quixote tilting at windmills of graft in high places

Although her victory is accepted as a one-off result, the positive image she has projected as president and her well-known liberal stance on women's and civil rights are generally acknowledged as factors behind Labour's current good standing at 19 per cent in the polls.

Mr Spring's own high parliamentary profile, as a latter-day Don Quixote tilting at the windmills of corruption in high places, and the champion of the unemployed, has given him a personal popularity rating of almost 70 per cent, more than 30 points ahead any other party leader, and at least 42 points ahead of Mr Reynolds.

Mr Spring says: "I now have the confidence to say that Labour will make the most important breakthrough it has ever made, which will break the mould of traditional concepts of Irish politics which are still rooted in the civil war [of the 1920s]."

One of the key battlegrounds will be Dublin, where Labour has almost caught up with Fianna Fail in the opinion polls, and where it hopes to pick up seven new seats.

The Dublin Central constituency, a poor working-class district, is a key marginal where Mr Bertie Ahern, the finance minister, is defending his Dail seat. It is a Fianna Fail heartland, but boundary changes since the last election have given Labour a strong chance of winning one of two seats held by Fianna Fail.

Mr Spring's name is not exactly a household one. "Who's that?" asked a group of grimy-faced children who beg for money from the photographers who swarm around Mr Spring. He is also less than universally popular. "He only comes down here when he wants our votes!" a man shouts out. However, his reception is usually overwhelmingly welcoming. People approach him to wish him well.

"I'll take two-to-one-on for 30 seats," grins an elderly man coming out of a betting shop. Another elderly man who complains of the health service says: "I usually vote Fine Gael but I think I'll give yer man a try this time."

A pensioner and life-long Fianna Fail supporter says she will be voting Labour: "It's the unemployment, the jobs. This lot haven't done anything, so it's time to give the others a chance. They can't do any worse."

Mr Spring presses on with his message that his party will bring probity to government, tackle unemployment and improve housing, health and the schools.

At a primary school housed in 20-year-old prefabricated buildings on the grounds of the Education Ministry, he surveys the peeling paintwork, missing gutterwork and rotting windowframes.

He promises the teachers and parents who have gathered to meet him that a government in which he participated would rebuild the school. Presenting him proudly to her class, a teacher asks: "Does anyone know who this man is?" After a moment's silence, one small child ventures "John Major?"

Romanian government approved

By Virginia Marsh in Bucharest

THE Romanian parliament yesterday accepted a new cabinet led by Prime Minister Nicolae Vacaroiu and committed to gentler reforms.

The cabinet is dominated by the Democratic National Salvation Front (DNSF) which won 28 per cent of the vote in September's elections. It includes several junior ministers who served in the communist era and favours a slower reform.

However, the cabinet is weighted towards the party's younger wing and brings many newcomers to the government. It also includes some reform-minded independents, such as Mr Misu Negritoiu, who will be deputy prime minister in charge of economic reforms

Romanian nationalist parties which captured 12 per cent of the vote did not, as feared by many, win cabinet posts.

The democratic convention, a coalition of anti-communist parties which came second in the polls, voted against the government because it said it failed to present concrete economic policies.

Mr Vacaroiu said he would not present a long-term strategy for four months.

NEWS: WORLD TRADE

Yeutter holds his breath on oilseed talks

By Nancy Dunne in Washington

AMONG those anxiously awaiting the outcome of yesterday's US-EC agriculture trade talks in Washington was Mr Clayton Yeutter, the former US Trade Representative and one of the midwives at the birth of the international trade talks in Uruguay in 1986.

It was also Mr Yeutter who brought the case against EC oilseeds subsidies to Geneva in 1987, against the urging of Mr Ray MacSharry, the EC agriculture commissioner, who told him the Community would soon alter its subsidy programme.

"I told MacSharry that with the magnitude of the subsidies being offered, if I were a European farmer, I'd grow oilseeds on the top of the Alps mountains," Mr Yeutter now says.

Mr Yeutter went on from the trade post to become Secretary of Agriculture, chairman of the Republican party, and a White House adviser. Since President Bush lost the presidential election on November 3 he is "at leisure".

"MacSharry wanted to change the programme. He just didn't get it done," he said. "This is no minor dispute that can be held on the backburner for years on end."

After winning two dispute settlement rulings and failing to negotiate compensation, the US and the EC are now on the brink of a trade war, with the US threatening to impose punitive tariffs on $300m worth of EC products on December 5.

The long stalled farm trade talks in the Uruguay Round are entangled in the dispute.

If a breakthrough is not achieved soon, time will run out on the Uruguay Round. The US president loses his "fast-track" authority to negotiate after March 1.

Mr Yeutter believes the Democratic Congress probably would give President Clinton an extension of the negotiating authority but there are risks in waiting. Congress is likely to

Yeutter: "No minor dispute"

attach protectionist constraints to the legislation.

In his first appearance on the stage of international trade, President Clinton would be under great pressure, he said, not to "give away the store." Because he is likely to "take on" his labour supporters to get approval of the North American Free Trade Agreement, "he will have to give them something in the Uruguay Round context" and that is likely to be labour rights, which other countries regard as an infringement of sovereignty.

There would be months of delays while a new US negotiating team is prepared to continue Uruguay Round negotiations.

"In light of the economic situation in Europe, if there was ever a time it needs a shot in the arm, it is now," Mr Yeutter said. "Conclusion of the Uruguay Round would provide a boost in confidence and help overcome some of the economic malaise."

● The US, lifting a 13-year ban on ministerial visits to Taiwan, will send US Trade Representative Carla Hills to Taipei for economic talks next month, officials said yesterday.

Mrs Hills will discuss the possibility of Taiwan joining the North American Free Trade Agreement, and its application to join the General Agreement on Tariffs and Trade.

Unctad to boost aid for debt managing

By Frances Williams in Geneva

THE UN Conference on Trade and Development (Unctad) is to boost its programme for helping developing countries manage their debt, with potential foreign exchange savings running to millions of dollars.

Unctad's computerised debt information system, used by about 20 countries, enables governments to monitor their obligations (which many countries cannot easily do) and use the information in economic decision-making. It is a way to avoid unnecessary costs such as overpayments to creditors or penalty interest rates due to poor book-keeping.

Unctad officials say developing countries must process huge amounts of information on debt, a task only handled effectively by computer. Many debtor countries carry 1,000 loans on their books.

Lack of information has meant many countries must rely on data provided by their creditors, with no independent means of checking accuracy. Use of Unctad's debt management system enabled one central American country to reclaim $1.2m in overpayments. An Asian debtor recouped $800,000 paid in excess interest.

Expansion of the programme, in collaboration with the World Bank, is being financed by a $5.3m grant from the UN Development Programme (UNDP) over the next four years. Unctad will be carrying out debt audits for individual countries, advising them on data collection and analysis, providing debt management software packages and training local officials.

Unctad hopes donor countries will come up with funds to let it meet the growing requests for debt management help. Computerising the debts of a middle-sized developing country can cost up to $500,000. Thus, it would cost $200m-300m to bring external debt management in all developing nations up to an acceptable standard in five years.

Brazilian state adapts to centre stage

Christina Lamb looks at Rio Grande do Sul's hopes and fears from Mercosur pact

ONE of the first callers to the Dial Mercosur service set up last year by the state government of Rio Grande do Sul was a lady asking where she could find her local Mercosul, mistakenly believing it to be a new chain of supermarkets.

Today most of the state's 9.2m inhabitants are better informed, but hold mixed opinions about the nascent free trade arrangement between Brazil, Argentina, Uruguay and Paraguay which will affect them more than any other community in the southern cone.

Not only is Brazil's southernmost state right in the centre of Mercosur, but its largely agricultural production comprises the same crops as neighbouring Uruguay and Argentina and is less competitive due to poorer soil conditions and heavier local taxes.

Agriculture makes up 53 per cent of the state's $35.7bn GDP and much of the 15m tonnes of foodstuff produced yearly sells within Brazil.

Although currently benefiting from Argentina's overvalued currency which make Brazilian products cheap in comparison, Rio Grande's wheat, rice, poultry, dairy, beef and wine producers all expect to suffer once Mercosur comes fully into operation in 1995 with zero tariffs between the four neighbours.

Mr Hugo Paz, the president of the state's Farmers Association, complains: "Mercosur is moving so fast that it's heading for self-destruction. It is destroying Brazil's agroeconomy, particularly that of Rio Grande."

He describes Brazil's integration with its neighbours formalised by the Treaty of Asuncion of March 1991, as "like marrying a girl you have just met in the street."

He says: "No compensating mechanisms have been created for the dead and injured and the lack of macroeconomic stability or policy coordination means it's impossible to decide whether to abandon products. Unless something drastic is done what we'll have is not integration but wars over food mountains."

Yet in many ways for Rio Grande, Mercosur makes far more sense than for Brazil's north-eastern states. It shares a 1,000km border with Uruguay and a 700km border with Argentina and its culture is closer to these southern neighbours than to that of Brazil.

Trade with Mercosur partners, though still relatively unimportant for the state, is rising. Last year its exports to Mercosur increased to $221.9m from $137.6m in 1990, though still less than 7 per cent of the total $3.5bn. This year it

should top $300m. Another benefit is an increased tourism. A record 500,000 tourists visited the state last year, mostly from Mercosur countries.

In the last two decades, rapid industrialisation has transformed Rio Grande which now has a gross domestic product greater than that of Hungary, and Mercosur should benefit sectors such as car parts, bus manufacturers and petrochemicals. Some local companies are already taking advantage. Brahma, Brazil's leading beer company, recently invested $40m in joint ventures in Argentina and Uruguay.

Fonte Ijui is selling mineral water to Argentina, Agrale is exporting trucks across the border, and Balancas Uranos is selling electronic scales to Paraguay.

The state authorities hope to use its strategic position, cheap power, deepwater port, and high quality of life to attract in foreign companies aiming at the 200m strong Mercosur. A department for international affairs has been created with an impressive datasystem listing companies seeking partners. State missions have visited the US, Hong Kong and Japan and Europe is next on the list.

The Federation of Industries of Rio Grande has set up a Mercosur division and in a specially commissioned study on 20 sectors found 16 saw it as an opportunity and only four as a threat – wheat, wine, dairy products and canned fruits.

Mr Luiz Mandelli, president of the federation, says "we're entirely in favour of Mercosur. For decades we've complained that we're in bad competitive shape because we were so far from the main consumer markets of São Paulo and Rio. Now we're right in the middle. If you draw a 600 mile circle round Porto Alegre you have two thirds of the GDP of South America."

But Mr Alceu Collares, the state Governor, warns against complacency: "Our proximity to all four Mercosul countries means we could be the biggest beneficiary. However, we could just become a corridor between the big producers of Buenos Aires and São Paulo unless we are competitive in price and quality."

The government has set up a $390m industrial development programme and recruited Japanese and German advisers. Recently for example, Aurora, Brazil's largest wine co-operative, invested $16m in reconversion to produce fruit juice and jams to protect itself against a possible influx of Argentine wine. "It's adapt or die," says Mr Adao Eliseu de Carvalho, secretary for international affairs.

Computer engineering centre opens in Kiev

By Chrystia Freeland in Kiev

THE first computer engineering centre was opened this week in the Ukrainian capital of Kiev. Ukrainian officials hope that, supplied with over $1m worth of IBM computers and software, the centre will help Ukraine's collapsing industries leap to modern technology.

The Computer Integrated Manufacturing Centre (CIM), based at Ukraine's leading scientific post-secondary school, the Kiev Polytechnic Institute, will teach students and retrain professional engineers in computer industries, design and manufacturing.

Ukraine is a world leader in cybernetics research and has a huge, and increasingly under employed, scientific and engineering community. IBM, which has supplied 14,000 personal computers to schools in the former Soviet Union, plans to open CIM centres in other parts of the former Soviet Union.

"There is a vast intellectual potential here," said Mr Horst Breitenstein, IBM president for trade development. "What we are doing is testing the possibilities."

The CIM centre was primarily an educational venture, he warned. In the long run, IBM, which opens an office in Kiev this week, was likely to "have procurement from Ukraine, but it is a slow build-up".

IBM is already commissioning small software projects in Ukraine. IBM is also seeking an entrée into strategic sectors in Ukraine which must rapidly set up computer systems, such as banking.

Laing shares Turkmenistan contracts

JOHN LAING, the UK construction group, in joint venture with Alsim Alarko, a large Turkish engineering and construction company, has won a £54m contract in the central Asian state of Turkmenistan, the first time Laing has worked in the former Soviet republic, Andrew Taylor writes.

The contract involves completing a terminal at Ashgabat Airport, providing specialist systems and renewing surfaces. Lockheed Airport Terminal of California and Burc Electronics of Ankara will also be involved.

● Cemindia, part of Trafalgar House of the UK, has won contracts worth £5m for work at India's Tuticorin Port Trust and Gandisagar Dam.

Polish enterprise zone plans could founder

By Christopher Bobinski in Warsaw

PLANS to set up Poland's first industrial enterprise zone at Mielec, site of a recession-hit aircraft factory, could founder because of resistance from treasury officials over granting necessary incentives.

Samuel Montagu Financial Services, say the initial cost of allowing tax concessions, and paying unemployment benefit, will reach Zloty 135bn ($8.8m) next year, with a small profit by 1995.

The plans have been authorised by the industry ministry whose head, Mr Waclaw Niewiarowski, is to meet workers today.

They are demanding credible restructuring proposals for the plant, which has suffered from the collapse of the former Soviet market. The enterprise zone proposal is based on the favourable site of the plant which is 250km south-east of Warsaw, near the former Soviet Union. It has a major airport and a highly qualified workforce.

Mr Niewiarowski has high hopes that the scheme will resolve the factory's problems. The aircraft works, which once employed 22,000 people, now has 9,850 on its payroll. A further 4,500 are to be dismissed within months.

The strike started last week when workers were paid 40 per cent of their monthly wage. Mr Niewiarowski will have to wrest tax concessions and investment grants from the finance ministry if his project is to start.

Clinton looks to Congress on policy

By George Graham in Washington

GOVERNOR Bill Clinton yesterday set out to "establish a good working relationship" with Congress in a series of meetings on Capitol Hill with leaders from both parties, focusing on health care and the best way of combining an economic stimulus with a reduction of the budget deficit.

The US president-elect began with his own Democratic party leaders, in his second meeting with the majority leaders since the election.

He then saw Sen Robert Dole, Republican leader in the Senate, and meetings were also scheduled with powerful individual congressmen such as Mr Dan Rostenkowski, who has dominated US tax policy for the last 12 years as chairman of the ways and means committee.

Congress has in recent years developed a reputation as an institution hamstrung by autocratic committee chairmen, incapable of passing needed legislation and corrupted by the perquisites of power.

Mr Clinton's election may open the way to more effective action, but a new study published yesterday by two of Washington's most influential think tanks, the American Enterprise Institute and the Brookings Institution, suggests more reforms are needed to the way Congress does business.

"We think effective policy-making requires a strong president and a strong Congress," said Mr Thomas Mann of Brookings. He said the problems of Congress reflected the weakness of party leaderships and their lack of control over the setting of a policy agenda as well as debating structures that "put a premium on cheap shots".

Mr Mann and Mr Norman Ornstein of AEI urged the party caucus meetings of the House of Representatives in December to give a mandate to each party's leaders, and especially to the Speaker, to set a policy agenda.

Stars and Stripes for Puerto Rico?

Islanders will vote on whether to join the union, reports **Canute James**

SEVERAL decades of debates about Puerto Rico's political status will end within 12 months when the 3m people of the US possession in the Caribbean will vote on whether they want to retain their current "commonwealth" relationship with Washington, become a state of the union, or be politically independent.

Dr Pedro Rossello, the governor-elect of Puerto Rico who will take office in January, has promised that a long-awaited plebiscite on the issue will be held next year. The result, he says, will be taken to the US Congress for approval.

In December 1991, Puerto Ricans rejected a referendum seeking to maintain the island's autonomy. The issue of what status they do support has since been left open.

Puerto Rico is officially described as having a "freely associated" relationship with the US. Puerto Ricans are US citizens, but cannot vote for a president. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation.

Dr Rossello, the candidate of the New Progressive Party, won the island's gubernatorial election earlier this month with 50 per cent of the votes cast. His main rival, Mrs Victoria Munoz Mendoza of the Popular Democratic Party, received 46 per cent, with Mr Fernando Martin of the Puerto Rican Independence Party being supported by just 4 per cent.

Puerto Rican flag (left) flies alongside the Stars and Stripes on the Caribbean island looking to its future

There is little support for political independence, as indicated by the Independence Party's showing, and the impending plebiscite is expected to determine whether Puerto Ricans want to continue and enhance their current status, or become a state of the union.

Dr Rossello's NPP has consistently advocated statehood, but Puerto Rican analysts have cautioned that votes cast in the referendum will cut across party political lines.

Dr Rossello's decision that the issue of the island's status must be decided soon is an apparent attempt to determine definitively a matter which has been the object of sometimes trenchant debate.

Although the governor-elect will present the result of the referendum to Washington as a fait accompli, any decision by the US Congress will be affected by considerations such as Puerto Rico's geopolitical and strategic value to Washington. The island, at the north-eastern end of the Caribbean archipelago, is host to a large US naval base.

Puerto Ricans' decision about their political future will turn on economics. The current "commonwealth" status has allowed the island's economy an advantage under Section 936 of the US revenue code which encourages mainland companies with subsidiaries in Puerto Rico to deposit their profits in local banks. Totalling about $15bn (£9.9bn), these have assisted economic growth and stability.

The economy also benefits from federal welfare funds of about $4bn a year and receives hundreds of millions of dollars from rebates of federal excise taxes and duties collected on exports such as rum.

Support for the political options for the island will be determined largely by whether Puerto Ricans feel that this level of financial support will be available to them if they vote for statehood, and whether the economy can do without it.

Franco denies dithering

By Christina Lamb in Rio de Janeiro

BRAZIL's new President Itamar Franco has strongly defended himself against mounting criticism he is spending his time on trivia rather than the central economic problems confronting the country.

In his first lengthy press conference since taking office two months ago, Mr Franco said: "Society wants the president sometimes to put aside macrothinking and descend to the microlevel of rents, medicines, schools and trying to improve everyday life."

His focus on such issues has led his administration to be labelled "the Cheese Muffin Republic", a reference to the muffins that are a staple diet of many of Brazil's poor.

The president was to outline his plans for government in his first national address on Wednesday but cancelled it to visit his sick mother.

Instead he made clear some of his views, declaring war on financial speculators who have been leaving the stockmarket and buying gold and dollars. "As long as I'm President there will be war without mercy until they learn the productive system is more important for the country than speculation."

Referring to Mr Collor's recent comments that he was dragging Brazil into the fifth world, Mr Franco said "the misery we have today puts us far below the fifth world. Two and a half years of Collor's high interest rates and violent monetary policy have left us with deep recession and millions and millions of unemployed Brazilians living in absolute poverty."

Argentine judge guilty

By John Barham in Buenos Aires

FOR the first time in living memory, a senior public figure has been found guilty of corruption in Argentina, after the Senate yesterday impeached Mr Alberto Nicosia, a federal judge accused of multi-million dollar fraud against state-owned companies.

The senators found the judge guilty of misconduct and failing to carry out the duties of a public official.

They removed him from the bench and banned him from holding public office.

Mr Nicosia was a key figure in an organisation involving other judges, expert witnesses and defence and prosecution lawyers, who colluded with plaintiffs suing state companies for personal loss in accidents. The judges invariably found against the defendants and inflated their damages, which they then shared out amongst themselves.

Ferrocarriles Argentinos, the state-owned railway company, was their favoured target. In December 1990, a government watchdog agency reported that the company owed legal costs and damages of about $80m. The government has also initiated further, as yet unknown, charges against Mr Nicosia.

Corruption is one of the principal complaints of ordinary Argentines against the government of President Carlos Menem. The government claims it is rooting out corruption by deregulating and privatising the economy. Furthermore, about 20 senior government officials, including five cabinet ministers, have been sacked in corruption-related scandals.

Housing starts in US show decline

A RUN OF encouraging US economic news was broken yesterday by reports of an unexpected decline in housing starts in October and a sharp rise in weekly claims for unemployment insurance early this month, writes Michael Prowse from Washington.

The Commerce Department said housing starts fell 1.1 per cent between September and October to a seasonally adjusted annual rate of 1.23m units. The decline was broadly based with fewer starts in all regions except the Midwest. The figures, however, tend to be volatile on a monthly basis.

The number of people making new claims for state unemployment insurance rose 31,000 to 386,000 in the week ending November 7, the largest increase in three months. The jump came as a surprise after weeks of steady declines.

Peru arrests

Police in Peru yesterday arrested eight Maoist guerrillas who they said were planning further bombings in the Peruvian capital ahead of elections on Sunday, Sally Bowen and agencies report from Lima.

Pre-electoral tension has been heightened by a spate of bombings in Lima this week, but the "armed strike" called for the past two days has caused little actual disruption.

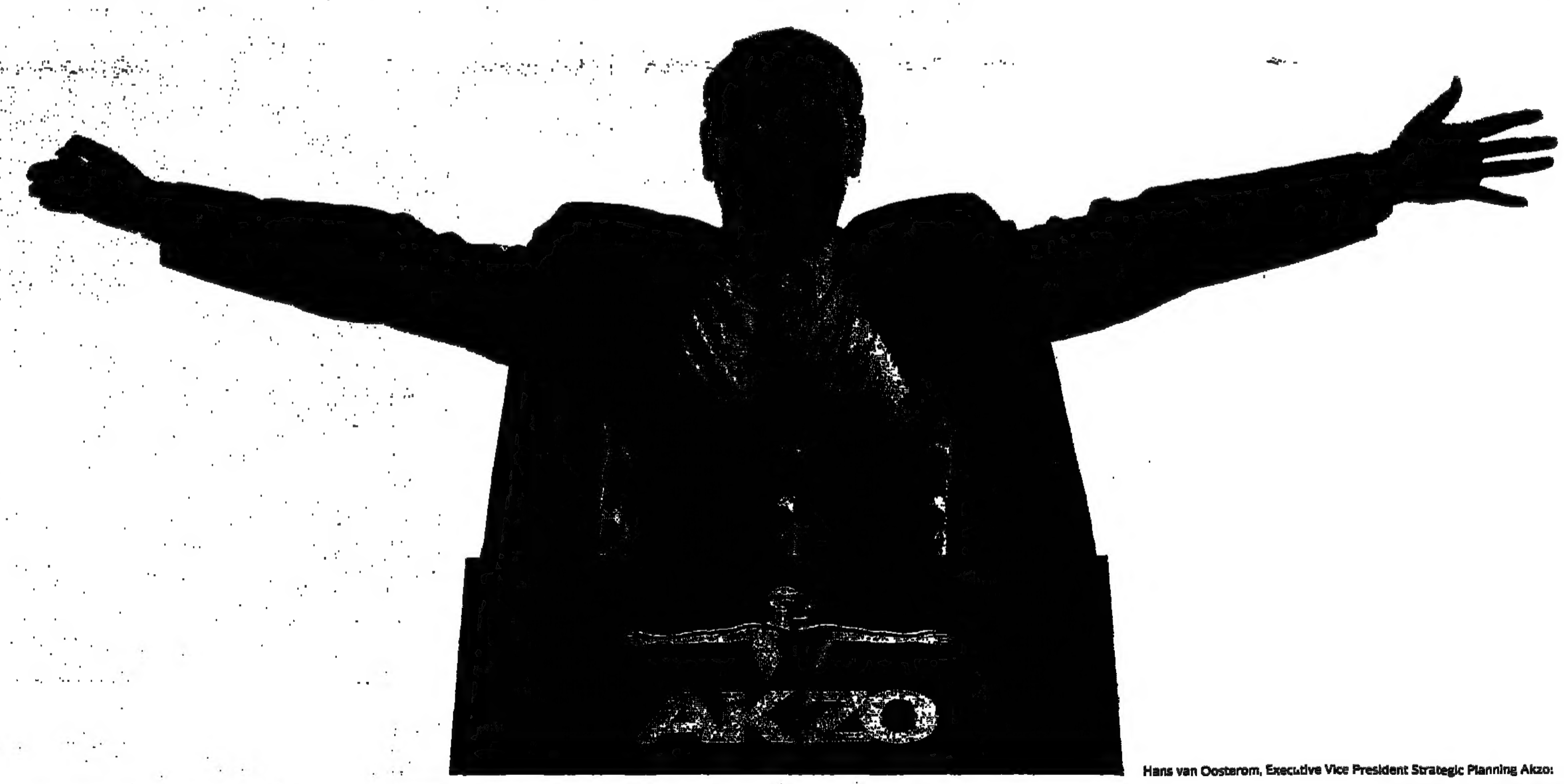
Canada drug haul

Canadian police and troops have seized 3,000 kilograms of cocaine, worth an estimated C$1bn (£524m), Canada's biggest drug haul, Robert Gibbens reports from Montreal.

Four men arrested in the swoop, at a remote airstrip 200 miles north of Montreal, were to appear in court yesterday.

Pindling quits

Sir Lynden Pindling, prime minister of the Bahamas for 25 years until an electoral defeat in August, has resigned as leader of the opposition Progressive Liberal Party, writes Canute James.



Yeltsin halts North Korean military aid

By John Burton in Seoul and Agencies

MR Boris Yeltsin, the Russian president, seeking to cement ties with South Korea, said yesterday his country was suspending military aid to North Korea.

In a speech to the South Korean parliament, he also said that Russia could stop building submarines, a key component of its naval arsenal, within the next three years.

He said Moscow would sharply cut its armed forces in the Far East to help contribute to better relations. "I think that in two or three years' time we will stop making submarines for military purposes," he said, departing from the text of his prepared speech to parliament. He also hinted broadly Russia would consider selling weapons to South Korea.

Mr Yeltsin, on his first official trip to an Asian country, is pressing hard to transform ties with a strategically vital region and potential source of hard currency.

He tried to bury the contentious past, returning to Seoul the flight recorders from a South Korean airliner shot down by a Soviet warplane in 1983 with the loss of 269 lives.

Seoul is seeking Russian help in persuading North Korea to accept nuclear inspections and renew progress toward unification. But Russia's reduced military ties and falling trade with North Korea are likely to weaken its leverage with Pyongyang. Russia has already ended the supply of nuclear materials and technology to North Korea, Mr Yeltsin told Mr Roh Tae-woo, the South Korean president.

Moscow is now curtailing arms shipments to Pyongyang, including the supply of MIG-29 combat aircraft being assembled in the North.

Mr Roh asked Mr Yeltsin, who will visit Beijing next month, to urge China to take a more active role in resolving the Korean question. ● North Korea's trade patterns last year were governed by a search for new oil supplies to compensate for falling petroleum shipments from the former Soviet Union, Kotra, the Seoul-based Korea trade promotion agency, said yesterday.

Soviet oil supplies and its shipment of machinery and industrial facilities to North Korea fell last year after Moscow demanded cash payments for these goods, which were formerly settled through open account arrangements.

Patten's proposals face testing time

Alexander Nicoll and Simon Holberton look at HK's democratic aspirations

SIX weeks after Mr Chris Patten, Hong Kong's governor, unveiled his plans for broader democracy, the gulf between London and Beijing which they have opened shows little sign of being narrowed.

A round of diplomatic activity in London this week saw Britain, China and Mr Patten himself spelling out their positions – and the governor winning strong backing from Mr John Major, the prime minister. But no further discussions with the Chinese are planned beyond regularly scheduled contacts between London, Beijing and Hong Kong.

Though Mr Patten has called repeatedly for discussions and invited Beijing to produce alternative proposals, there appears to be a growing prospect that there will be little or no dialogue. That would leave Hong Kong to make arrangements for the 1995 Legislative Council (Legco) elections without knowing whether Beijing will, as it has threatened, reverse them when it assumes sovereignty over the territory in 1997.

China's frustration at what it sees as Britain's duplicity, evident from vitriolic attacks on Mr Patten and snubs when he visited Beijing, was made even plainer during a visit to Britain by Zhu Rongji, a vice premier and Politburo member.

Though he has no direct responsibility for Hong Kong, Zhu went out of his way to express the depth of Beijing's disgust and its belief that London has gone back on agreements.

He indicated that China could allow the dispute to spread into other bilateral links, and caused alarm in Hong Kong when he said: "People cannot help asking the question whether we still have to stick to the Sino-British Joint Declaration and whether the understanding reached between the Chinese and British sides is to be allowed to be scattered to the winds."

China is not alone in being rattled by Mr Patten's decision – backed by his former cabinet colleagues in London – to stop treating Beijing with kid gloves and attempt to deal with it in much the same way as with any other country.

Some British officials who were involved in previous negotiations with Beijing are quietly shaking their heads at the abandonment of a non-confrontational approach. They fear that Mr Patten has precipitated a serious crisis.

His supporters dismiss such worries as springing from what they see as the former tendency of the British government, under the influence of Sinologist academics, to view Hong Kong as a relatively small factor in an overall UK/China relationship. This was thought to have led London to give too much away to Beijing on Hong Kong.

Instead, the governor's backers point to the importance of Hong Kong to China – it would represent 18 per cent of China's economy and economic ties with the mainland are constantly growing. Though there can be no certainty that Beijing would subordinate its political worries to its economic interests, they at least believe Hong Kong is dealing from a position of greater strength than was previously assumed.

Mr Patten has repeatedly argued that he is seeking to implement the 1984 Joint Declaration on Hong Kong's future; that he had to produce proposals because the Basic Law, Hong Kong's Beijing-drafted post-1997 constitution, was silent on the 1995 elections; that they are modest and do not contravene the Basic Law or Joint Declaration; that a smooth transition to Chinese rule is the aim.

However, though Britain insists that there has been no policy change on Hong Kong, Mr Patten clearly wants to meet popular aspirations to greater democracy as much as he can, and to a degree previously not thought possible in London.

China's concern is to keep the development of democracy, and particularly the involvement of vocal liberals, to a minimum. Mr Patten has succeeded in bringing the democracy campaigners behind his plans, even though proposed arrangements fall well short both of what they wanted and of full democracy.

The danger, however, is that support within Hong Kong – Mr Patten's trump card and the basis for his policy – will ebb as fears grow about the dangers of confrontation with Beijing. Some businessmen are already showing their concern.

Opinion polls show the electorate supporting his plans, and LegCo last week broadly endorsed them. However, there will not be a final LegCo vote on them until the late spring of 1993. In the meantime, China can be expected to exert pressure on opinion makers.

The stock market jitters resulting from Zhu's remarks strengthened the worries of Mr Patten's opponents in business and political circles about the effect of a stalemate in Sino-British relations on investment in Hong Kong.

Yesterday's decision to push ahead with the platform contract for the colony's new airport may bolster confidence. Proceeding with the contract means the project remains on schedule for opening in 1997 even though China has yet to agree to financing plans. The government says it will prevent cost overruns.

British officials told the Chinese that Hong Kong had no intention of pursuing a "go it alone" policy on the airport and that it still seeks a comprehensive settlement to the financing of the HK$175bn project. Yesterday, Hong Kong officials said there was no question of the government awarding contracts which require China's consent without Beijing's approval.

However, some influential businessmen in Hong Kong doubt the wisdom of moving ahead with the airport platform contract at such a sensitive time. They feel it will only invite negative Chinese reaction – which has been promised – at a time when all efforts should be directed to mending fences with Beijing.

The airport talks could be the main channel for negotiations with Beijing in the coming months. But there is a growing feeling in Hong Kong that Beijing will not produce counter-proposals on the electoral arrangements.

Mr Patten has staked his governorship on his constitutional plans and has won the support of Australia, Canada and the US for them. But he may find that the wisdom of his "have-a-go" approach will increasingly be questioned in Hong Kong if there is no sign of rapprochement with Beijing.

The way remains open for an increasingly mature political community in Hong Kong to produce alternative suggestions if their concerns about Mr Patten's proposals mount. If he were to be forced to compromise, it could be with them – and this would eventually allow him an honourable way to give ground.

Japanese guru starts pressure group

By Charles Leadbeater in Tokyo

MR Kenichi Ohmae, Japan's most famous management guru, plans an attempt to break the mould of Japanese politics by launching a pressure group to champion the cause of radical political reform.

Mr Ohmae, chairman of the Japanese operations of McKinsey and Co, management consultants, is a household name in Japanese business after publishing more than 30 books on management.

He describes his group, dubbed The Reform of Heisei, as a grass-roots organisation which will offer a third choice between the ruling Liberal Democratic party and the Socialist parties.

The grouping will promote the reform of Japan's political institutions by offering to support politicians who endorse its goals. A reform of the electoral system widely blamed for encouraging politicians to seek illegal corporate donations is likely to be a central issue for the group.

Mr Ohmae was named the nation's most influential leader of public opinion by a recent survey of more than 700 prominent Japanese.

Mr Ohmae's group is unlikely to stage a significant challenge but it could provide a focal point for the public outcry of the Tokyo Sagawa Kyubin scandal which has exposed links between LDP leaders, allegedly corrupt businessmen and organised crime syndicates. The initiative is likely to put pressure on the LDP to offer more far-reaching proposals for political reform.

The scandal has led to a vicious power struggle within the LDP. A two-week stalemate between the LDP and the opposition parties over which LDP leaders should testify to the parliament over their involvement in the affair has delayed passage of the supplementary budget needed to implement the Y10,700bn (£57bn) emergency spending package announced in August.

There were signs last night that the parties were edging towards a compromise on the testimony issue to allow debate on the budget to proceed.

Savimbi to accept poll results

UNITA rebel leader Jonas Savimbi, whose refusal to accept the outcome of last September's elections has threatened Angola with renewed civil war, has agreed to accept the first-round results, a UN official said yesterday, Reuter reports from Luanda.

In the first hopeful sign in weeks of a peaceful settlement, Mr Savimbi sent a letter to UN special representative Margaret Anstee saying he still thought the results were rigged but would accept them.

The official said Mr Savimbi was also open to accepting an enhanced UN role in Angola, where the world organisation has been monitoring May 1991 peace accords.

But he declined to say whether the Unita leader had pledged to honour the agreements or a truce.

STUDENTS PROTEST: Students from New Delhi colleges shout slogans against the so-called "Mandal report" yesterday. The report sets a reservation quota of 50 per cent for lower castes and tribal groups in university admissions and government jobs

Bond cleared in dishonesty charge retrial

By Kevin Brown in Sydney

MR ALAN BOND, the bankrupt Australian entrepreneur, was yesterday cleared by a Perth jury of dishonestly inducing a businessman to take part in the A$370m ($255m) rescue of a collapsed merchant bank run by a fellow entrepreneur.

Mr Bond spent 90 days in Wooroloo prison outside Perth earlier this year after being sentenced to 2½ years' detention on the same charge. He was freed on appeal by the Western Australian (WA) Supreme Court and was being tried again.

Mr Bond, 54, said after leaving court yesterday that he had been tried on a "trumped up" charge. "I've had a pretty difficult time right through Wooroloo and other people ought to be brought to account for it."

The charge against Mr Bond related to the 1987 rescue of Rothwells merchant bank, run by Mr Laurie Connell, a fellow WA entrepreneur. The rescue was largely organised by Mr Bond, then chairman of Bond Corporation.

The prosecution claimed that Mr Bond concealed from Mr Brian Coppin, a WA businessman who contributed to the rescue, that Bond Corporation was to receive a A$16m success fee from Rothwells.

Mr Coppin told the court that Mr Bond asked him in October 1987 to raise A$20m (later reduced to A$8m) to assist the rescue of Rothwells. He said he did not learn of the success fee until November 14.

Mr Bond said the success fee was not agreed with Mr Connell until after Mr Coppin agreed to contribute to the rescue, in which the Western Australian state government also participated.

His evidence was contradicted by Mr Connell, who said the fee was arranged earlier. However, Mr Max Healy, a Perth builder who gave evidence at the second trial, said Mr Connell had told him he would lie to make sure Mr Bond was convicted.

Mr Healy alleged that Mr Connell had told him that his motive was to distract public attention from his own forthcoming trial on charges related to the Rothwells rescue.

Mr Ian Callinan, QC, for Mr Bond, told the jury that the prosecution had failed to prove its case: "It has often been said in this community [that] people who fly high have to be cut down to size. Alan Bond has been cut down to size. Don't cut him down again."

Mr Bond, who was recently divorced, was declared bankrupt in April with debts and contingent liabilities of more than A$700m, compared with assets of A$1m. He is also being investigated by Australian Securities Commission, the corporate watchdog.

However, he has shown some signs of seeking to continue in public life: letters written to supporters from his prison cell contained a number of suggestions for solving Australia's economic problems.

Mr Bond resigned as chairman of Bond Corp in 1990, two days before the group announced a record loss of A$2.2bn. Bond Corp is being restructured under a scheme which will reduce Mr Bond's holding from more than 50 per cent to 5 per cent. Most of its assets have been sold.

Bhutto in bid to reach Peshawar

The Pakistani opposition leader Benazir Bhutto will try to reach the northern city of Peshawar today to lead an anti-government protest march, in an attempt to step up pressure on Prime Minister Nawaz Sharif, writes Farhan Bokhari in Islamabad.

Ms Bhutto has been banned from the capital, Islamabad, for 30 days under a government edict which came into effect yesterday after she tried to lead an opposition march to the capital in an attempt to unseat the government.

"I salute the heroic people of Pakistan for their courage in making the long march very successful. Our movement will continue because people of the country want change," she said in Karachi at a news conference last night.

Ms Bhutto is likely to be stopped from going to Peshawar, a senior official said last night.

Pretoria rejects 'army plot' evidence

THE South African government yesterday rejected evidence from a judicial commission suggesting that the army plotted to undermine the African National Congress (ANC), and criticised the respected judge who heads the commission for making "wild statements", writes Patti Waldmeir in Johannesburg.

A government spokesman said Pretoria did not believe any abuse had taken place, but promised punishment if any security force members were found to have acted against the political opposition.

The government's hardline response to Judge Richard Goldstone's finding – including harsh criticism of the judge himself – will not enhance Pretoria's reputation for probity in the matter of alleged security force involvement in violence.

Signs of intransigence from Pretoria contrasted with the conciliatory tone yesterday adopted by the ANC, which announced that its policy-making National Working Committee had adopted a controversial plan for power-sharing in a post-apartheid government. The decision was a major success for ANC moderates, and came only after fierce debate.

The ANC condemned the decision of Mr F W de Klerk, the president, to launch an internal inquiry into intelligence operations, to be headed by the second in command of the South African Defence Force, Lt-Gen Pierre Steyn.

Gen Steyn, who is understood to be a relatively *verlig* (enlightened) officer, is to conduct his investigation in parallel with Judge Goldstone, whose commission of enquiry into violence announced on Monday that it had found evidence of a military intelligence plot to discredit the ANC.

The ANC said in a statement: "Once more, secrecy is the order of the day...the public will only be told what it is thought they ought to know."

The ANC also condemned the fact that officers allegedly involved in the plot - including top officers of military intelligence - will not be suspended during the investigation.

Gen Steyn is to assume control of all covert operations, but serving commanders will not be removed.

The length of the daylong cabinet meeting on the inquiry decision highlights cabinet divisions over the issue with some members known to favour curtailing Judge Goldstone's power, and others arguing for a "clean up" of military activities.

● An ANC leader urged residents of one of South Africa's most violent townships yesterday to stop endemic gang warfare he said was fomented by state security forces, Reuter adds.

"Stop all this fighting among yourselves. Give co-operation, absolute unity a chance," said Chris Hani, an ANC executive member popular with the group's radical grassroots and armed wing. "State security forces have criminal elements who love to see blacks slaughtering each other because that makes them secure in their positions," Mr Hani, also secretary-general of the allied South African Communist Party, told a peace meeting.

Tajikistan KGB chief killed

Unidentified gunmen have slain the pro-Islamic deputy KGB chief in former Soviet Tajikistan, whose deposed Communist leaders have been fighting their way back to power, writes Steve LeVine in Tashkent.

Mr Jurabek Aminov, among the warring Central Asian nation's most articulate and effective leaders, was killed in a spray of bullets on Wednesday night as he drove to the airport in the Tajik capital of Dushanbe. There was no indication who was responsible.

The murder removed probably the most skilled military organiser for the anti-Communist coalition of Islamists and secular moderates, a politically diverse alignment that was already fractured.

The murder occurred as Tajikistan, the former Soviet Union's most unstable republic, seemed headed for more war. Rebels loyal to former Communist President Rakhman Nabiyev have surrounded and besieged Dushanbe, which is controlled by the anti-Communist coalition.

Insecurities creep in at the top in Singapore

Kieran Cooke looks at the fears within the ruling People's Action Party that protest may grow

IT HAS been an eventful and somewhat macabre week in the normally placid world of Singapore politics.

Prime Minister Goh Chok Tong made an urgent appeal last Sunday for new political talent to step forward. His cabinet, he said, was aging and had to be revitalised.

The next day, it was announced that two of the island republic's most senior political figures, Mr Ong Teng Cheong, first deputy prime minister, and Mr Lee Hsien Loong, second deputy prime minister and minister for trade and industry, were suffering from cancer. The statement said that the disease had been detected early and that chances for successful treatment were excellent.

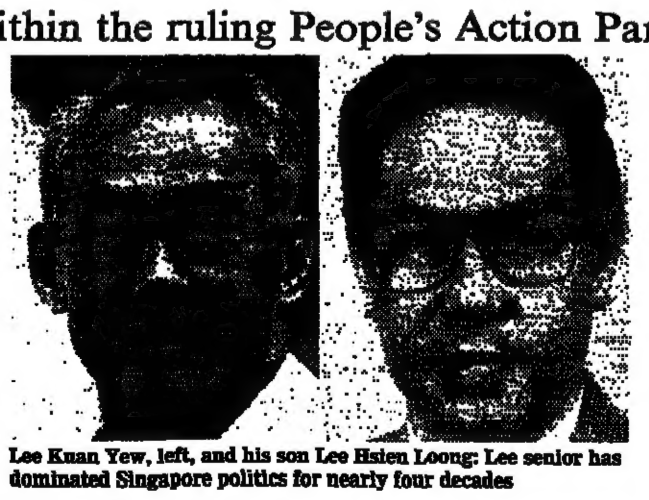
There has been obvious compassion for the men, mixed with surprise at the way in which the illnesses were announced simultaneously, but, above all, the statement led to renewed speculation about the future direction of Singapore's politics.

Mr Lee, 40, is the son of Mr Lee Kuan Yew, the man who dominated almost every aspect of Singapore life for much of the last 40 years and who, in 1990 stepped down as prime minister to be succeeded by his deputy, Mr Goh Chok Tong.

The received wisdom was that Mr Goh would merely serve time before a resumption of the Lee dynasty, that the younger Lee would at some unspecified date take the helm.

Though officials say the younger Lee, now undergoing chemotherapy treatment, is likely to resume his ministerial duties shortly, uncertainty about his future has caused political nervousness.

Since independence from British colonial rule, Singapore's politics has been remarkably stable, with the People's Action Party (PAP), formed in the early 1950s as an anti-colonial party, exercising almost complete dominance and for many years controlling every seat in parliament. Under the party's guidance, Singapore has been transformed into a well-developed country with one of the highest standards of living in Asia.



Lee Kuan Yew, left, and his son Lee Hsien Loong: Lee senior has dominated Singapore politics for nearly four decades

Yet, despite its achievements, the party has noticeable insecurities. It was fashioned in Mr Lee Kuan Yew's image, and, as Mr Raj Vasil, a writer on Singapore politics, says, the elder Lee *is* the party in the eyes of Singaporeans: "The PAP does not have much of an identity independent of the (then) prime minister and the government headed by him. Its image, identity and appeal are almost entirely derived from the personality of the prime minister..." His departure was traumatic.

Mr Goh has tried to bring in a more open style of government, introducing a limited degree of *glasnost*, allowing Singapore's carefully controlled citizens to view slightly risque films and permitting a small measure of dissent. But he has found it exceptionally difficult to fill Mr Lee's shoes. Mr Lee, now entitled senior minister, still exercises a great deal of influence, retaining his post as PAP secretary general.

Mr Goh, seeking a popular mandate, called a surprise election last year. The PAP was returned to power, winning 77 of the 81 parliamentary seats, but the fact that some form of opposition, however small and disunited, was emerging was seen as a near disaster for Mr Goh and his party.

A popular interpretation of the election was that Singaporeans felt nervous under the more relaxed regime of Mr Goh: only when the younger Lee – stamped in the same no-nonsense, authoritarian style as his father – put a firm hand on the helm would the party's complete dominance be re-established.

But a degree of popular unhappiness with the party had set in well before Mr Goh's ascendancy. While many able technocrats were recruited to PAP ranks, few figures with any noticeable political talent emerged. "A lot of yes-men and sycophants were nurtured under Lee," says one political analayst. "He only has himself to blame if there are no real personalities to succeed him."

The party tended to concentrate too much on the mainly English-educated, increasingly affluent middle class. The views of the people on the housing estates – mainly the Chinese-educated who were finding life increasingly expensive and hard – were being largely ignored.

Both the younger Lee and Mr Ong are key figures in regaining support among this group. They are among the few government ministers who speak Mandarin fluently and read the Chinese-language newspapers. While Mr Lee is seen as arrogant and is not a particularly popular figure, he is respected as a gifted and able minister. Mr Ong, as head of the Singapore Trades Union Congress, provides important contact with working-class voters.

Mr Goh has promised a number of by-elections in the near future, and the small, fragmented opposition is unlikely to pose any serious challenge. Yet the PAP is deeply concerned about a rising protest vote.

Decline in land prices accelerates

By Charles Leadbeater

LAND prices in Japan's largest cities have fallen by about a fifth in the last six months, threatening to exacerbate the Japanese banks' mounting problems with non-performing loans to real estate developers, according to a report published yesterday.

The report by the Japan Real Estate Institute said that commercial land prices fell at an annual rate of 22.5 per cent in the six largest cities, Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe in the six months to the end of September. Residential land prices in these cities fell by about 20.5 per cent.

The institute said the falls were the worst results since it started the survey in 1936.

The continued fall in land prices will eat into more of the collateral used for many of the real estate loans which the banks made during the boom in land speculation in the late 1980s. The collapse in real estate prices is the main reason for the sharp rise in the bank's non-performing loans over the past year.

In the six months to September non-performing loans held by the top 21 Japanese banks rose by more than 50 per cent to Y12,000bn (£63bn). This increase largely reflects last year's fall in the property market, when average residential land prices for the six largest cities fell by 9.7 per cent. The acceleration in the rate of decline in land prices means the banks bad debts will continue to rise for the foreseeable future.

Senior bankers admit the amount of non-performing loans is still rising rapidly.

The findings of the report, based on a survey of 22,000 sites in 223 cities, suggests the government's public works programme, which includes measures to bring forward purchases of land for public infrastructure schemes, has had little impact on prices.

Average land prices throughout Japan fell by 2.6 per cent in the six months to the end of September, with residential prices down 2.5 per cent and commercial prices down 3.3 per cent.

Thai investors protest after shares plunge

By Our Bangkok Correspondent

THAI investors staged noisy protests outside the Stock Exchange of Thailand (SET) for the second day running yesterday as share prices continued to plunge in response to government moves to control speculators.

The SET index fell 3.9 per cent, or 33.87 points, to close at 834.17 yesterday, making a cumulative decline of more than 13 per cent since it peaked two weeks ago.

Foreign stockbrokers believe rising corporate profits and an economy growing at about 8 per cent a year will soon push share prices up again, but many Thai investors fear the once lively market has been weakened by official moves to curb speculation.

On Wednesday, the six-month-old Securities and Exchange Commission filed charges against Mr Song Watcharasriroj, a 35-year-old speculator known as Sia Song, for allegedly manipulating the price of shares in Bangkok Bank of Commerce in collaboration with a group of associates.

Mr Song, who could face a fine or imprisonment for up to two years, denied the charges. He also said that before being arrested and released on bail he had agreed to a request by Mr Tarrin Nimmanahaeminda, the finance minister, to stop trading for a week. "It's unfair to arrest me after I've already agreed to stop," he said.

Investors were apparently unimpressed by official announcements that the government-controlled Krung Thai Bank and a group of stockbrokers had been directed to inject a total of Bt15bn ($59m) into a fund to buy shares and stabilise the market.

"I think it will take a few days before they can mobilise such a large amount of money," said one stockbroker yesterday.

Angry speculators and investors exchanged facsimile messages attacking the Finance Ministry and the managements of the SEC and the SET. Demonstrators outside the SET in central Bangkok called for the resignation of Mr Seri Chintanaseri, the SET president.

On a busy day Bangkok brokerage houses resemble British bookmakers on the day of the Grand National, with everyone from housewives to executives crowding round the screens to watch their favourites and place their bets.

In an attempt to stop the market overheating, the central bank and the Finance Ministry have forced brokers to restrict the credit they extend to their clients to buy shares.

Thailand urges UN caution on Khmer Rouge

By Victor Mallet in Bangkok

THAILAND yesterday urged members of the United Nations Security Council, which is considering sanctions against the Khmer Rouge for violating the Cambodian peace accord, not to come to "hasty conclusions" or issue a resolution that might be impossible to enforce.

"I hope that such a resolution will be implementable, not one which is aimed only at threatening without being practical," Mr Prasong Soonsiri, the Thai foreign minister, told the Financial Times. "Thailand shares the international community's disappointment at the Khmer Rouge's intransigence on co-operating in the peace process," he said. But he added: "Every effort should be made and all the remaining time should be spent in finding a way to bring the Khmer Rouge back into the peace process... If the Khmer Rouge is allowed to remain outside the process then the conflicts and disputes remain and may even intensify."

Thailand, whose businessmen buy gems and timber from Khmer Rouge strongholds across the border, has repeatedly emphasised that it will abide by United Nations resolutions on Cambodia.

However, the Thai government has also made clear that it is reluctant to impose economic sanctions and has said that any UN resolution should be compatible with Thai law.

"If the resolutions require the seizure of assets of the Khmer Rouge outside Cambodia this will affect our own domestic banking laws," Mr Prasong said. "Our domestic laws prohibit the seizure of assets even of Thai nationals in matters where the government only has suspicions that irregularities might have been committed."

Mr Prasong also suggested that other governments were over-emphasising the importance of the Cambodian elections scheduled for May next year as a solution to the civil war.

"We do not wish to see elections held and then all the parties concerned pack their bags and go home thinking that peace has been achieved in Cambodia, leaving the residual problems for our country to contend with," he said.

"This would only lead to a return to square one."

■ The head of the UN peacekeeping operation in Cambodia yesterday promised new measures to stem growing political violence in the lead up to next May's elections, Reuter reports from Phnom Penh. Several people have been killed and at least 11 injured in a recent spate of shootings and grenade attacks against opposition party offices and officials.

"Free and fair elections cannot be held in circumstances where people face threats to their lives, liberty and security for attempting to exercise their political rights," said Mr Yasushi Akashi, the Japanese head of the UN transitional authority.

Putting tourists back on road to Mandalay

Nice sights, shame about the infrastructure: **Victor Mallet** on Burma's drive to attract more visitors

NOBODY minds the sparrows building their nests in the restaurant at Rangoon airport, but the plump rats which scuttle around the reception desk at the Strand Hotel are living testimony to the sorry state of the Burmese tourism industry.

To make matters worse the country's military rulers have restricted most tourists to frantic, seven-day visits for the past 30 years, and to seven-day group tours since the army crushed a pro-democracy uprising in 1988.

All that is changing. In the past few weeks the State Law and Order Restoration Council (Slorc), the ruling junta, has welcomed individual travellers, announced that visas will be issued in 48 hours or granted on arrival, opened the Thai border to day trippers, and disclosed plans to start international flights to Mandalay.

For the first time in years, a cruise ship has called at Rangoon, disgorging more than 400 tourists into the dilapidated capital.

The government is courting foreign investors interested in refurbishing hotels in Rangoon and Mandalay, and the romantic but vermin-infested Strand is already being converted into a luxury $250-a-night hotel by a company from Hong Kong.

Ambitious but unworldly, the Slorc generals initially said they were aiming to lure 500,000 tourists to Burma annually, compared with about 8,000 last year and a similar number in 1992. Now they admit that the shortage of hotel rooms and flights will make it hard to attract even 50,000.

"It is politically quite stable, so now we allow these tourists back here," Mr Myo Lwin of the new Ministry of Tourism said recently. "It's very difficult to make a target at the moment because the change has been so sudden. After more than 30 years, the government has relaxed the rules." Officials admit they have no idea how many hotel rooms Burma will have in three years.

Burma's attractions, from the pagodas of Pagan to the southern beaches, are more than a match for the better-known sights of neighbouring Thailand, but decades of civil war and economic mismanagement have left much of the country inaccessible.

"It could be a major earner for us," says Mr Myo Lwin. "If it can be for Thailand, it can be for us. But we need infrastructure."

For tourism as for other sectors of the economy over the past four years, the Slorc has abandoned the state's monopoly and encouraged entrepreneurs from Burma and abroad. The foreign investors have started redeveloping hotels, and licences have been granted to 30 travel agents in Burma.

Progress, however, has been painfully slow. The transformation of Rangoon's Inya Lake Hotel, a grim edifice originally constructed with Soviet aid, is a case in point. Along with the Strand and the Thamada, the Inya Lake is being refurbished and the staff retrained under a joint venture agreement between Strand Hotels International of Hong Kong and the state-owned Myanmar Hotels and Tourism Services.

It took eight months just to create and decorate the small room containing the new bar.

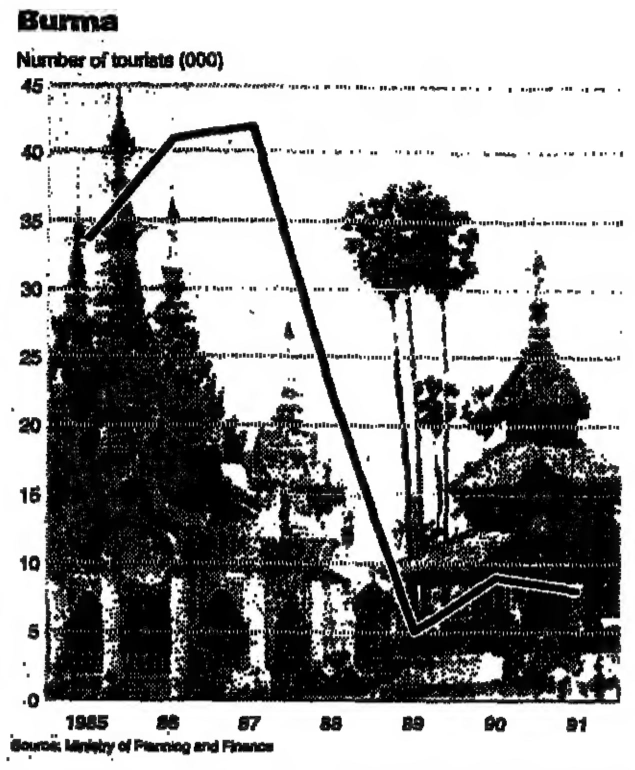
The efforts of foreign investors to turn the hotels into profitable concerns are further undermined by official bureaucracy and the Slorc's reluctance to spend what little money it has on long-term investments.

"Clearing things from the customs can take up to a month," says one frustrated foreign contractor. "Everything takes so long. The [refurbished] Strand was supposed to be open by now."

Potential tourists would hardly have been encouraged by the sight of Gen Kyaw Ba, the new tourism minister, visiting the Strand's building site in October protected by a truckload of soldiers.

Another obstacle is the government's refusal to devalue the kyat, the local currency.

This means that a very ordinary Chinese meal for two with a few beers can theoretically cost about $350; travellers accustomed to the ways of the third world are happy to change their dollars on the black market (and get the same meal for $15) but the respectable tourists the Slorc wants are unlikely to be happy dealing on the black market.



NEWS: UK

Alleged errors fuel school rankings row

By Andrew Adonis, Bethan Hutton and Alan Cane

CONTROVERSY over the government's exam results league table intensified yesterday, with a catalogue of complaints and errors and the revelation that the government employed two private contractors to compile its statistics.

The use of small private contractors to gather and process the examination statistics led last night to allegations that the government had failed to supervise the operation and ensure its statistics were accurate.

Manchester High School for Girls is considering legal action after its league table entry stated that only 16 per cent of pupils gained five or more GCSEs at grades A to C. The correct figure was 100 per cent, and the head mistress said she "repeatedly" told the department of the error before publication.

The education department said it was "seriously investigating" all complaints. Mr John Patten, education secretary, has not apologised for errors in the league tables, but will, however, appear before the Commons education select committee next Wednesday to be cross-examined.

The main contractor, PMS Communications, a small Birmingham-based company employing 30 people, specialises in computer systems for the education sector. Last night it said the allegations of mass inaccuracies were mainly the result of rules laid down by the Department for Education.

PMS, a niche company not well known in the data processing industry, has in the past carried held contracts with examinations boards, but it has no experience of operations on this scale.

Mr Craig Peppiatt, a PMS director, admitted there were some errors, but said: "That is the sort of thing which is bound to happen in the first year."

He said most of the problems arose because of misunderstandings about the basis upon which tables were compiled and lack of time for schools to check their results. The role of the second contractor, Bath university, was itself a source of controversy last night, with PMS citing it as a separate contractor and the Education Department denying any knowledge of it.

Computer analysts said in PMS's defence that the principle of "gigo" - garbage in, garbage out - seems to have applied.

Data analysis specialists emphasised the care needed in designing surveys if the right data is to be collected.

The row dominated prime minister's questions in the Commons. Mr John Smith, Labour opposition leader, accusing the government of having "botched" the results. Mr John Major said it was "hardly surprising" there were errors since it was "the biggest exercise of its kind undertaken by the government".

Numerous other cases of inaccurate information surfaced, including cases of schools which pool their sixth forms being shown as having no A-level entries of their own. Cambridgeshire county council said the tables included 53 errors for their schools alone.

Watchdog asked to sniff out suspected perfume monopoly

By Guy de Jonquières, Consumer Industries Editor

THE Office of Fair Trading yesterday asked Britain's monopolies watchdog, the MMC, to investigate whether perfume manufacturers are illegally restricting supplies of fine fragrances to keep retail prices high.

The decision marks a victory for Superdrug, the cosmetics chain, which sells leading fragrances at discounts of up to 30 per cent on the normal retail price at 15 of its 670 stores.

Superdrug, part of the Kingfisher retail group, has complained to the OFT that leading manufacturers such as Givenchy and Yves Saint Laurent have refused to supply it directly, forcing it to obtain their products more expensively on the "grey" market.

The investigation will focus on whether manufacturers have denied supplies to cut-price shops by applying unfairly standards governing the sale of their products in retail outlets.

The MMC, which has nine months to report, will also examine complaints by Superdrug that national magazines and newspapers have refused to accept advertisements for its range of discount perfumes.

Superdrug says it has been unable to obtain perfumes directly even though it has sought to meet the manufacturers' standards by investing in special counters staffed by trained sales assistants.

The OFT has studied the case for almost a year. It was unsure until recently whether it could act, because the European Commission has exempted from EC competition rules some restrictions imposed by perfume manufacturers on distribution.

Sir Bryan Carsberg, director general of fair trading, said yesterday he was not seeking to negate the EC exemptions. But some of the supply restrictions were not covered by the exemptions and could violate Article 85 (1) of the Rome Treaty, which outlaws anti-competitive trade practices.

He wanted the MMC to assess whether these restrictions were in the public interest and were being used indirectly to maintain retail prices in violation of the law.

He also asked the MMC to examine whether the EC exemption system should be modified to ensure it was applied fairly.

According to the OFT, UK sales of fine fragrances – defined as perfumes, toilet waters and after-shave lotions with a retail price of more than £15 for 50 millilitres – total about £180m a year.

As well as Givenchy and Yves Saint Laurent, leading suppliers include Chanel and Christian Dior. None of the companies would comment yesterday.

Further Maastricht clashes anticipated

By Ralph Atkins

TORY Euro-sceptics are expected to clash again with the government over Maastricht following warnings by MPs yesterday of difficulties ahead in ratifying the treaty.

Hopes that EC leaders will reach agreement on how subsidiarity can be applied in principle, "will be difficult to achieve" in time for the Edinburgh summit in December, according to the House of Commons foreign affairs select committee.

Mr John Major, meanwhile, begins a tour of European capitals on Monday, starting in Brussels.

He hopes to make progress towards finding agreement at next month's Edinburgh EC summit on how Danish objections to Maastricht can be overcome and on defining subsidiarity – the principle of decisions being made at the lowest possible level.

But in a new report published yesterday, the Commons foreign affairs committee said it was "unclear" how the changes to Maastricht needed before a second Danish referendum can be made legally binding – as the country wants – while sticking to the agreement of other EC countries not to renegotiated the treaty.

The affect on Britain of changes to accommodate Danish concerns also remained unclear, the MPs added.

Downing Street indicated yesterday that the prime minister may concede a discussion at Edinburgh on joint action to end economic recession – possibly including European Commission proposals based on monetary co-operation and a public works programme.

Officials said the summit would "certainly" discuss economic growth.

Any fresh proposals, however, would have to take into account the European Community's past commitment to "sound public finance" and the reduction of government deficits.

Downing Street continues to emphasise the importance of a deal on the General Agreement on Tariffs and Trade.

The opposition of some government MPs is likely to resurface on Tuesday when MPs will debate developments in the European Community and its future financing.

The following week, they will consider the Maastricht treaty bill in detail at the so-called committee stage.

About 300 amendments have been proposed to the Maastricht bill and little headway is expected in the two or three days to be set aside to debate the issue before Christmas.

Universities see threat to fee income

By Andrew Adonis

UNIVERSITY chiefs are concerned that the government's determination to slow the expansion of higher education will lead to cuts in fee income, causing severe financial difficulties for some.

Until last week's Autumn Statement, universities had expected tuition fees for next year to be increased by at least by the rate of inflation, in line with the government's policy of encouraging institutions to raise intake to match demand.

However, Mr John Patten, education secretary, announced last week that funding projections would only allow a 13 per cent increase in student numbers over the next three years – equivalent to the increase in polytechnic students for past year alone.

Mr Patten has also asked the Higher Education Funding Council to use its funding leverage to give greater incentives for institutions to recruit students to engineering and science courses. The government pays universities £1,855 for each undergraduate studying a classroom-based course, £2,770 for those on laboratory-based courses, and £4,985 for clinical courses.

The funding council is expected to announce the new funding regime before Christmas.

Workers from Devonport naval yard, south-west England, demonstrating against the yard's threatened closure at Westminster yesterday. They fear large job losses if they lose the contract to maintain Trident submarines. Photograph: Fergus Wilkie

DTI urged to approve Iran export licences

By Andrew Baxter

A UK-Iranian joint venture worth up to £150m in business to BSA Tools, the machine tool company, is being held up by delays over export licences, it was claimed yesterday.

Mr Keith Bailey, the company chairman and a central figure in the Matrix Churchill affair, is urging the Department of Trade and Industry (DTI) to approve a licensing deal under which lathes would be produced in Iran.

Kits worth £150m could be supplied over the next five years for assembly in Iran, which badly needs new manufacturing technology to rebuild its industrial base.

Mr Bailey said the BSA licence application has been with the department for months, but the Iran project has been "on the back burner" because of the Matrix Churchill case and his own trial over alleged illegal exports to Iraq.

Now, with charges dropped against Mr Bailey and three Matrix Churchill executives, the BSA chief is keen to go ahead with the project.

The DTI said yesterday it could not comment on individual cases. Last month, however, it introduced special licensing procedures for a list of countries including Iran, to ensure equipment such as machine tools could not be used to make weapons.

This meant that export licence applications for Iran were now taking longer, said the department yesterday.

Mr Bailey's company Automation Investments bought Matrix Churchill from Iraqi ownership two years ago, but the Coventry-based lathe and grinding machine producer went into receivership after bank funding was withdrawn.

Last month, AI, which also owns BSA Tools, bought Matrix Churchill back from the receivers, Price Waterhouse. The grinding business has been sold, leaving Mr Bailey with the Churchill lathe range.

Britain in brief

BA averts strike by ground staff

British Airways has averted strike action planned for today by conceding to union demands for consultation over new pay and conditions for ground staff at Gatwick, London's second airport.

More than 1,200 staff, including booking and ticket sales staff, had voted overwhelmingly for strike action over the airline's imposition of pay cuts averaging 25 per cent and BA's failure to operate negotiated consultation procedures at a local level.

The row follows the airline's acquisition of Dan-Air, formerly the UK's' oldest independent airline – for £1 – and the introduction of new pay scales for staff in the newly formed subsidiary company known as British Airways Gatwick Services without consultation. BA has now agreed to follow negotiated consultation procedures after the members of TGWU general union voted 909 to 111 in favour of a strike.

Airlines seek legal review

Virgin Atlantic and Airlines of Britain Holdings, the owners of British Midland, are expected to apply for permission to seek a judicial review of the government's failure to refer the takeover of Dan-Air by British Airways to the Monopolies and Mergers Commission.

Runway plan reconsidered

Manchester Airport has widened the search for where to build a second runway after mounting protests from residents' groups about the environmental impact of nearly doubling the airport's size by the end of the century.

Increase in restaurants

The number of large, high-quality restaurants opening in London this year has been greater than at any time since 1986, according to a new report by the editors of the Harden's London Restaurants guide.

Award for FT writer

Andrew Taylor, construction correspondent of the Financial Times was judged business and financial journalist of the year in the International Building Press journalism awards.

Pollution details protected

Power stations should be allowed to keep secret some details of the pollution they emit on grounds of commercial confidentiality, according to the first government decisions under new environmental legislation. Mr Michael Howard, environment secretary, accepted an appeal by National Power that details about future emissions at its power stations should not be made public because they would reveal its future needs for fuel to its commercial disadvantage.

Nissan shifts export operation

By Chris Tighe

NISSAN, the Japanese car manufacturer, is to move its export and import operations from Teesport to a new custom-built terminal on the River Tyne in north east England, it announced yesterday.

The arrangements will include the export of cars made at Nissan's UK plant, in Tyne and Wear, to 30 countries, including Japan – a traffic contributing about £900 million this year in export earnings to the UK economy.

Winning the prestigious Nissan contract, initially a five-year deal from January 1994, is a major coup for the Port of Tyne which at present depends for nearly half its annual cargo tonnage on highly vulnerable coal shipments.

Teesport is part of the port of Tees and Hartlepool, Britain's second biggest port. Nissan's decision is a blow for Teesside Holdings, the consortium which bought the port for £180m early this year.

The traffic of Nissan cars through Teesport, which will cease in December 1994, originated in 1970 as an import operation by the now-defunct independent distributor Nissan UK. When Nissan began exports from its Sunderland plant in 1988, it decided to use Nissan UK's Teesport facilities.

But when relations with Nissan UK broke down last year, the car maker began detailed evaluation of its future shipping needs, assessing quality of service, cost and efficiency levels offered by six north east England locations. Criteria included deep water, needed for Nissan's huge 5,500-car "mother ships".

Since 1988, Nissan has exported 357,000 Sunderland-made cars, nearly all through Teesport, which this year is also handling 40,000 imported Spanish and Japanese-built Nissans.

Under the new deal a small number of Sunderland-made cars will still be exported through Southampton.

Output of Primeras and Micras at Sunderland, 175,000 this year, will rise in 1993 to 270,000. At least 70 per cent will be exported. In 1994, Nissan plans to export more than 200,000 Sunderland-made cars from the Tyne.

Because the Tyne is closer Nissan's Sunderland plant and adjacent national distribution compound, car transporter movements will be reduced by 900,000 miles a year. Nissan's 37 Teesport employees will be offered work at the Tyne terminal.

Halt in funding for fast reactor research criticised

By David Lascelles and Alison Smith

THE UK nuclear industry reacted angrily yesterday to the government's decision to cease funding for research and development of the European fast reactor, the joint programme by the UK, France and Germany. But it was welcomed by others, given the uncertain outlook for nuclear power.

Mr Tim Eggar, energy minister, told MPs the government could not justify continuing since the design validation stage had been completed and there was "general agreement that the commercial deployment of the fast reactor will not be justified until well into the next century".

He said that about 270 jobs would be lost: roughly 40 at Dounreay, Caithness and about 160 at Risley, Cheshire. Some 40 people were also likely to be made redundant at Winfrith, Dorset.

Although the government's decision is not linked to its efforts to save jobs in the coal mines, it comes at a time when the nuclear industry feels vulnerable to cutbacks.

In a joint statement, Nuclear Electric, Scottish Nuclear, British Nuclear Fuels and AEA Technology – all government-owned – said they "greatly regret" the move. Mr John Collier, the chairman of Nuclear Electric, said there were signs of growing interest in fast reactors in Japan, the US, Russia and Spain."The irony of the government decision is not lost on UK industry," he said.

Despite Mr Eggar's insistence that the government was following a recommendation made by the cross-party Commons energy committee in 1990, that it should review the position at the end of the design validation process, he came under attack from MPs across the Commons.

Tory and opposition MPs pointed out that Japan, America and other countries were continuing with their research, and they warned with dismay of the consequences of the UK giving up its lead in this field, since it was impossible "to mothball nuclear physics".

Rejecting the charge that the government was not committed to the research, Mr Eggar said that over the past 40 years more than £4bn (at 1992 prices) had been spent on the project, of which £1bn had been since 1979. Fast reactors have long embodied a dream of virtually boundless energy. They burn uranium much more efficiently than regular nuclear power stations, and their early impetus came in the 1970s when fears of oil shortages caused governments all round the world to seek new sources of power.

The power industry has changed radically since then. Oil and gas supplies have proved plentiful and cheap, as has uranium. But the cost of fast reactors has soared, and no country has been able to develop a commercial programme. Outside Russia, which has the most developed fast reactor industry, only Japan is close to launching a new prototype. In both France and Germany, programmes are stalled.

The European collaboration which the UK pulled out of yesterday was an effort to surmount these hurdles. The nuclear lobby argues that the basic case for fast reactors remains strong because of the long-term needs for diverse fuel supplies and the technological spin-off. A further reason is to burn the plutonium now being removed from redundant nuclear warheads. But the UK government has been cooling off fast reactors for some time and it had already announced withdrawal of funding for the UK prototype at Dounreay.

Mr John Chesshire of the Science Policy Research Unit at Sussex University said the government had taken the right decision, because of what he described as "the major reassessment" that is currently being made about the economics of nuclear power.

PERKS: **Norma Cohen** continues the series with a look at one of the most expensive benefits that companies provide for their employees

Why pensions pay off

Of all the benefits provided to employees, perhaps none is more costly than a good pension scheme. Employers typically contribute anywhere from 10-12 per cent of payrolls to finance the classic "final salary" scheme - no small outlay.

Yet, as an increasing number of employers is discovering, the pension is among the least understood and appreciated of all benefits on offer. Mark Duke, benefits consultant at actuaries Towers Perrin, says that an increasing number of corporate clients are conducting surveys of employees' attitudes to various benefits. "You often find that employees' appreciation is in inverse proportion to the expenditure involved," he said.

Towers Perrin's own employee studies have found, for instance, that the company car and subsidised mortgage mean a lot more than the really high-cost items such as pension.

Why, then, do employers bother? According to Charles Evans, partner at actuaries Mercer Fraser: "The traditional view is that it helps recruitment, motivation and retention. It is also promotion for the company's image. It says 'this is a company which cares about its employees'. And it really does help retention." More generally, pensions remain on offer because employers feel they must offer them in order to be able to compete for the best staff, adds Evans.

The need to offer the same benefits package as other employers in similar industries has been one factor inhibiting large companies from curtailing pension benefits and, indeed, has encouraged their enhancement over time.

But if employees, particularly younger ones, do not know or care about the structure of pension benefits, why do employers continue to insist that they must offer them? Significantly, figures from the National Association of Pension Funds' latest survey show that in 1991 some 16 per cent of all new employees rejected the opportunity to join their company scheme.

And since 1988, when membership in an employer's occupational scheme became no longer mandatory, the number of scheme members in Britain has fallen. While this may partly reflect demographic trends, it is clear that some employees are electing either to join personal pension plans or none at all.

Some pensions experts argue that pension provision is not wholly a charitable exercise. Employers earn benefits other than a happy workforce.

"The reasons are tax, tax, tax," says John Cunliffe, partner at McKenna and Co and a leading pensions lawyer. Employers' contributions to a scheme are tax deductible and investment income rolls up tax-free. Those employers who avail themselves of the surpluses through contributions holidays are, in effect, able to make use of tax-free investment gains to offset expenditure.

Also, Evans points out, the availability of a fully-funded pension scheme offers an employer a relatively painless way of funding redundancies. Pension benefits can – and frequently are – enhanced to induce workers to leave quietly, without threat of industrial strife and with no effect on profits.

Kevin Spring, partner at international benefits consultants The

Pensions remain because employers feel they must offer them to compete for the best staff

Wyatt Co, says that some impetus for corporate pension schemes has come from UK tax legislation. Tax rebates were offered to those companies that agreed to pick up the salary-related portion of state pension benefits through so-called contracting-out arrangements. "That tax rebate was used by many companies to build up their pension funds," Spring says.

Ron Amy, compensation and benefits director at Grand Metropolitan, argues that some employers' reasons are shrouded in history. Since the 1920s, when employers first began offering organised occupational pensions, they have grown to the point where they now account for more than 70 per cent of retirement income. The growth of occupational pensions has blunted political demands for more generous state provision and Britain has one of the least generous schemes in Europe.

Says Amy: "We are now in a situation where there is no alternative state provision." He feels his company has no alternative but to provide a good scheme. "But we also have had the phenomenon in the 1980s of pension fund surpluses which have sharply reduced the cost. Perhaps the real question is what will happen when the contributions holidays are over and companies have to begin making provision again."

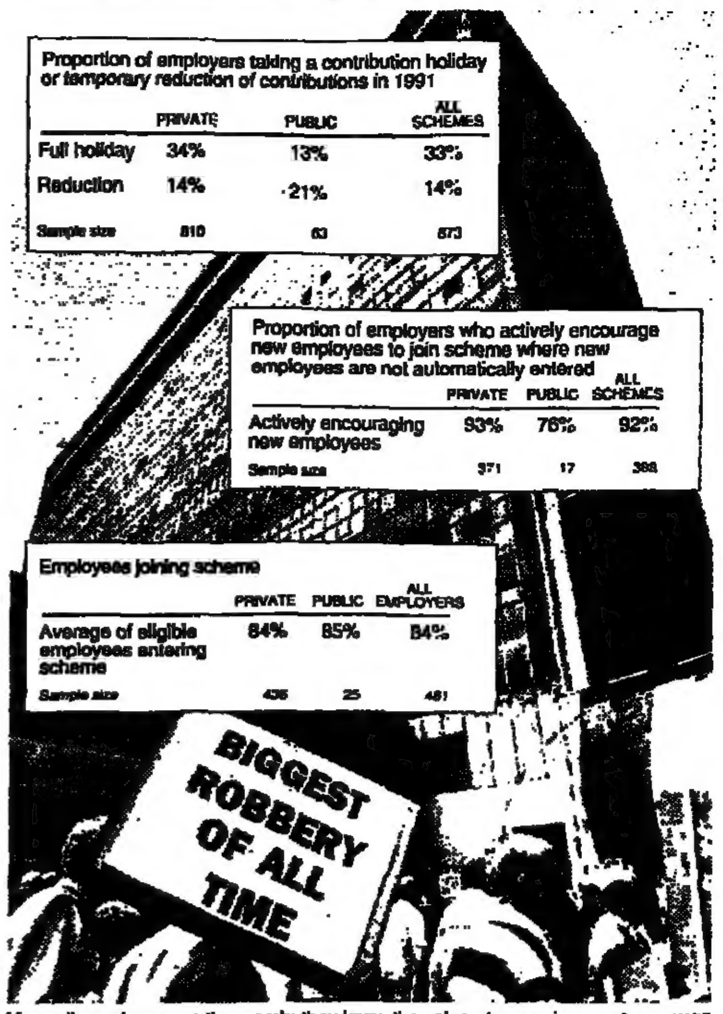
Already, there are rumblings that the classic final salary scheme, which promises workers two-thirds of their last year's pay, is under threat. Trevor Crowter, principal actuary at KPMG Peat Marwick Actuarial Services, notes that among small companies, the trend is towards so-called money purchase schemes. Instead of guaranteeing a worker a set pension for as long as he or she lives after retirement, these offer a lump sum instead. The sum should be sufficient to guarantee the purchase of an annuity, but they rarely offer inflation indexing or other benefits attached to final salary schemes.

However, from the employer's point of view, money purchase schemes cost less and are thus more attractive. Meanwhile, the recent wave of pensions legislation, and the promise of more to come, is driving up costs. Since 1985, for instance, employers have been required to increase the value of deferred pensions by up to 5 per cent a year and, when the provisions of the 1990 Social Security Act come into effect, pensions being paid will have to be increased by a similar amount.

Earlier this year, Standard Life, one of Britain's largest insurers, announced that it would no longer offer final salary schemes – widely interpreted as a sign of shrinking demand for a product of increasing complexity and cost.

"There is an element of paternalism here on the part of British employers," says Brad Nelson, head of employee communication at Towers Perrin. "And I wonder how long they can reasonably be expected to keep that up."

How the schemes operate



Proportion of employers taking a contribution holiday or temporary reduction of contributions in 1991

	PRIVATE	PUBLIC	ALL SCHEMES
Full holiday	34%	13%	33%
Reduction	14%	21%	14%
Sample size	810	63	873

Proportion of employers who actively encourage new employees to join scheme where new employees are not automatically entered

	PRIVATE	PUBLIC	ALL SCHEMES
Actively encouraging new employees	93%	76%	92%
Sample size	371	17	388

Employees joining scheme

	PRIVATE	PUBLIC	ALL EMPLOYERS
Average of eligible employees entering scheme	84%	85%	84%
Sample size	436	25	461

Maxwell pensioners on the march: they know the value of a pension

Source: NAPF

Christopher Lorenz assesses new research aimed at helping companies to revitalise themselves

Different routes through the minefield of change

Unlike journalists, most academics are *slow to commit* their thoughts to paper. Even business school professors can take six months to write a short treatise.

So congratulations are due to two sprightly scholars for taking only four weeks to come up with a very practical paper on one of the hottest issues of the moment: how sclerotic companies (even ones still thriving on past success) can set about transforming themselves into lean, agile and creative predators capable of seizing on every future shift in their competitive environment, and turning it to their advantage.

From General Motors to IBM, British Airways to thousands of small companies, the tricky topic of how to handle this type of radical change preoccupies almost every company these days.

As regular readers of this column may recall, the far from academic question of how to vary one's leadership and management style between different types of corporate "change" and "transformation" processes transfixed the many top managers, academics and consultants who attended a large international conference in London last month (this page, Oct 23).

They were particularly at odds over how to distinguish between the actions needed to create the sort of change which alters a company's portfolio, strategies, or operational effectiveness, and those needed completely to "reinvent" corporate character and behaviour, as at IBM.

Two of the puzzled academics at the conference were Dr Barbara Blumenthal, of Temple University, Pennsylvania (she also works for Gemini Consulting) and Professor Philippe Haspeslagh of Insead, one of Europe's top business schools. Their reaction to the post-conference confusion was to get together and thrash out a working paper which knocks some welcome order into the subject*. In many respects it contains more sense than some previous books on it.

In essence, the duo's message is as follows. As distinct from the simple word "change", a corporate "transformation" is very considerable in both scope and depth. A litmus test is whether the behaviour of most people in the organisation is affected significantly.

There are three basic types of transformation process, each of which may include radical changes in culture. In other words, cultural change is not a separate category, as most academics and consultants would maintain. Nor, as companies are usually advised, must a transformation process necessarily focus directly on issues of competitive strategy if it is to succeed.

The three most common types of transformation process, say Blumenthal and Haspeslagh, are:

- Radical operational improvement. Typically, this involves thorough redesign of business processes, supported by changes to structure, skills and behaviour.
- Strategic transformation. Some strategic changes, such as mergers, do not always imply transformation. Fundamental changes in strategy spark ones in the components of the organisation: its structure, processes, people and culture.

Such transformation can be attempted in several ways. One is the traditional top-down approach, which can work in some cases. An increasingly popular approach, dubbed "strategic framing", involves top management defining the company's strategic intent, as at Motorola, but then encouraging a great deal of experimentation and championing of actual strategies by middle managers.

Some experts advocate a more minimalist view of the top team's ability to set even just strategic direction, and call for middle management to take the lead in a "middle-up-down" approach. They claim that the current chaos at Digital Equipment is of this kind, and was stimulated deliberately.

- Genetic re-engineering. This is out in a category of its own, compared with the other two. It involves efforts by top executives to instil a management approach which is able constantly to renew the organisation, by anticipating and coping with change whenever big market changes occur. This involves creating a host of new structures, processes and behaviours, including culture change.

The term "genetic re-engineering" is jargon and, as a metaphor drawn from science, is not strictly accurate. But it certainly conveys the fundamental nature of the type of transformation involved. It also helps separate "genetic" changes, such as those at US General Electric since 1981, from less broad and deep changes.

Again conflicting with much conventional wisdom, Blumenthal and Haspeslagh say there is no one "correct" combination of these three processes, nor sequence in which they should be attempted.

The duo ends with two wise maxims. First, that transformations of any kind are more easily started than completed – especially if middle management cannot be converted solidly to the new approach.

And second, that the need to transform never ends. Even highly adaptive, "self-renewing" companies, such as 3M and Hewlett-Packard, need periodic and carefully-engineered transformation. So how about your organisation?

* *Corporate Transformation: Amalgams and Distinctions. Insead fax no (France) 33-1-60724242.*

Della Bradshaw explains how electronic memory cards are helping weavers react swiftly to changes in fashion

Edging ahead by a neck

Your best silk tie may boast an international name such as Gucci, Polo or Aquascutum on the label. But there is a fair chance that it was woven in a small market town in Suffolk.

Vanners Silk Weavers make some 30,000 silk ties every week, 80 per cent of which are sold overseas. Keith Parker, technical director of Vanners, ascribes the company's success in the fast-moving fashion industry to its application of the latest technology. "It's the only way we can stay ahead," he says.

For Britain's mills, once called dark and satanic, the job has not been easy. Until a few years ago, Vanners had to store details of all its tie designs on miles of punched cards – the likes of which have been in use since the jacquard loom was invented in 1808.

Now the Sudbury-based company is converting to memory cards, which have recently proven popular in the portable computer and electronic diary markets. In opting for memory cards, Vanners has skipped whole generations of computer storage technology.

The basic problem for weavers was the noise and vibration of the giant jacquard looms – Vanners has 64 of them – together with other environmental hazards such as dye works. These meant that the more fragile floppy or hard discs could be easily corrupted or destroyed.

The steel-encased memory cards, on the other hand, are much more reliable. "You can drop them from six feet on to a concrete floor and they will still retain their data," points out Sherry Garber, product co-ordinator at US market forecasters Instat.

For Vanners, the move from punched card to memory card will save both space and money. Today, three bays at the Sudbury mill are completely taken over by the punched cards: a wadge of cards nearly a foot thick can represent a single pattern. In contrast, one memory card – a mini printed circuit board packed with memory chips and a battery – can store eight designs.

More important, the technology will help Vanners react more quickly to changes in tie fashion. The company needs to produce four collections a year for spring, summer, autumn and winter wear.

There are also national variations, explains Parker. Although every country may want brighter designs for spring and summer, customers in Italy favour different variations from those in Japan.

Once the sales staff has shown the latest fashion designs to customers, changes may be needed in the pattern or the colour – Vanners has 480 different coloured silk threads to choose from. If that happened it could take up to two hours to produce the cards needed for a complicated design – a peacock paisley, say – using the punched card system.

Keith Parker, technical director at Vanners, with a selection of the 480 coloured silk threads used for weaving ties

There are up to 50 new designs produced every week. And the problem is compounded on a long production run, where the paper card can become dirty and damaged and so a second one has to be made.

With the memory cards, it takes only three seconds to feed the data from the design room through a computer network to the individual loom, or weaving machine. There it is stored on an S-Ram memory card. These incorporate static random access memory chips, on which data can be stored and then erased so that the card can be used again. (Master copies of the design are held on optical or floppy discs.)

The process is so quick, reports one of Vanners designers, that just one-and-a-half hours after a group of customers entered the mill with their design they were able to see the tie, albeit a simple pattern, roll off the loom.

The toughness of computer memory cards has found them a ready home elsewhere, such as in point-of-sale applications in shops or pubs, where they are used to log purchases for stock control purposes. Another example of memory cards being used in data collection is at Bristow Helicopters.

The basic problem for the helicopter company, says David McKay, software manager, was how to monitor and record the performance of various components when the craft was in flight, in order to prevent component failure.

The memory card is inserted into the dashboard of the helicopter for the flight and then taken by the pilot, on landing, to a personal computer at the landing station. There the data is analysed.

But it is in the mobile computer marketplace, in machines such as the Sharp or Hewlett-Packard palmtops or the Amstrad notepad, that memory cards have shown most potential. Unlike a floppy disc, the steel-encased cards can be slipped into a jacket pocket without fear of damage.

The impetus behind the take-off of memory cards in the PC industry has been the ratification of standards, so that cards from one manufacturer can be interchanged with those from another.

It was with this in mind that the Personal Computer Memory Card International Association (PCMCIA) was set up in 1989. It issued its first standard in September 1990 and a new format for the standard will be released on December 1 this year. Members of the PCMCIA include Japanese-parented companies such as Mitsubishi Electric, Toshiba and Fujitsu as well as US chip and PC companies like Apple, Intel and Texas Instruments.

Although the cards based on S-Rams are popular now, they look set to be eclipsed by cards incorporating flash memory chips. Unlike S-Ram cards, these retain information when the power is switched off without the need for a battery. Flash memory chips are erased by a flash of electricity that takes less than a second.

Flash memories also have a higher storage capacity. Today's commonly-available S-Ram cards have up to 2Mbytes of memory – enough to store 2m alpha-numeric characters – although cards with twice this capacity will be widely available next year, says Colin Mason, engineering manager in the semiconductor division of Mitsubishi Electric in the UK.

For weaving applications, a group of S-Ram cards suffices in most cases, says Jay Hale, sales and marketing director for Bonas Machine Company, which makes Vanners' electronic machine.

But for more widespread applications – where a computer user would transfer a memory card from the desk-top machine to a portable to an electronic diary – more memory will be needed for storing programs and data. Today's flash memory cards can store up to 20Mbytes but the technology has drawbacks.

Flash memory cards are power hungry and data can only be erased in chunks. With S-Ram cards, individual bits of data can be erased – as with a floppy or hard disc.

Both these drawbacks are already being addressed by chip makers. As a result, Walt Lahti, vice president on Instat, says that the worldwide market for flash memory cards, worth just $7m (£4.6m) worldwide in 1991, could be worth $33m this year and $903m by 1997.

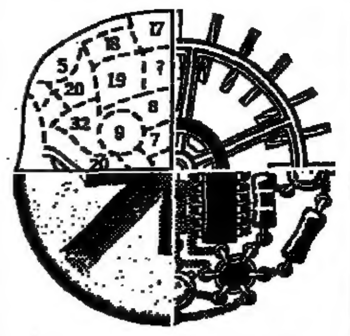
Lahti predicts the big growth market will be in what he calls the "sneaker net" market, where users will take a disc out of one PC and then run around with it, using it in several other machines.

Mobile phones could be another potentially enormous market, as could home photography, where the photographer would use the memory card in a camera instead of film and then transfer the pictures on to an optical disc or other long-term storage device so that they could be viewed on the television screen. Both Eastman Kodak and Polaroid are members of the PCMCIA.

As PCs work their way into the factory environment, replacing today's minicomputers and servers, flash memory cards will also find more widespread industrial applications, predicts Mason.

Meanwhile, back in the weaving industry S-Ram technology has still a potentially huge market waiting for it, explains Hale. "Ninety per cent of the world's jacquard machines still use punch cards."

Worth Watching · Della Bradshaw



Pen and keyboard get together at last

Pen-based computers have proven their worth in gathering information outside the office – in particular for filling in forms. But back at the office the data has to be downloaded into the office computer system.

To make life easier, pen computer specialist Grid, part of the Tandy group, has developed a computer which combines the best of both worlds. The screen can be written on with the attached stylus. It then swivels back to reveal a keyboard which can be used to incorporate the data into, for instance, a report.

The Grid Convertible costs £2,700 and comes with MS-Dos and Microsoft's Windows software designed for pen computing. Tandy Grid: US, 817 390 3100; UK, 081 897 6565.

Taking a shine to synthetic diamonds

A diamond chunk the shape of an eagle is the promise of a technique developed at Pennsylvania State University for producing cheaper industrial diamonds. The process borrows techniques from the two existing methods of synthetic diamond production, but adds an ingredient of its own – a fine powder of silicon or metal dust.

As with the original General Electric process, the technique starts with solids – graphite, carbon or wood. This is mixed with the silicon or metal powder and then heated in an atmosphere rich in atomic hydrogen – in a similar way to the chemical vapour deposition process.

The shape of the final diamond product can be determined at the beginning of the process – a wire, sheet or cube. The method can produce solid diamonds in layers of up to about 50 microns, but the larger diamond shapes are porous. Pennsylvania State University: US, 814 865 3421.

Health, safety and the environment

Next week is the UK's National Health, Safety and Environment week, and with that in mind many companies might be considering how to improve their safety record. One aid could be a software package developed by Datas, of Enfield, north London, to help companies analyse where accidents occur and so help to minimise them.

The Accidata accident management system helps employers comply with the law by providing the forms on screen that employers need for reporting accidents. By analysing the data, companies can work out how to prevent accidents in the future. Datas: 081 366 5557.

Business travellers enter US quicker

If you stagger from a transatlantic flight to face a long immigration queue behind hundreds of tourists entering the US, then relief may be at hand, writes Evelyn Brodie.

Next month the US Immigration and Naturalisation Service will issue biometric cards to frequent business travellers from the US or elsewhere. The cards contain nine pieces of information about the passenger's hand, such as the length of the fingers. People with cards will go down a separate aisle at immigration, insert the card into a machine and their hand into a window. If they match, the traveller is admitted.

The cards will be used initially at two airports – Newark and JFK. INS: US, 202 514 2648.

Japanese blades at the cutting edge

Razor maker Wilkinson Sword has turned to Japanese steel technology to give Europe's shavers a safer shave. The dual blade on its Protector shaving system uses non-corrosive steel which is especially hard to ensure that the blade retains its cutting edge. To make sure the blades do not nick the skin, 10 filaments of wire straddle the blades. Wilkinson Sword: Germany, 212 405 230; UK, 0670 713421.

PEOPLE

UK gathers AT&T's regional experience

James Mellon has been appointed managing director of AT&T's international operations division in the UK.

He will have two main responsibilities: managing the US telecommunications giant's correspondent relationships with British Telecommunications and Mercury Communications, which govern more than $1bn of international traffic between the two countries; and developing the services AT&T offers its customers.

Mellon says he is the first AT&T manager to work in all the world's three big regions. In his last job, he looked after AT&T's correspondent relationships in South America and Africa, working out of Florida. Before that, he spent nearly four years in Hong Kong managing relationships with China, Hong Kong, Taiwan and Macao.

His new post is a "rounding job", he says, which would give him an understanding of the world's post, telephone and telegraph companies (PTTs). Aged 45, he has been with the AT&T group for 19 years, starting his career at New England Telephone, which is now split off from AT&T.

Although Mellon says his main goal would be to build on the existing relationships "which are very profitable to both sides", he would not rule out satisfying customers' needs by competing with BT if that proved necessary.

In recent years, AT&T has examined the possibility of acquiring stakes in GPT, the UK telecommunications manufacturer, and Mercury, but in both cases negotiations broke down. There has also been speculation that it was interested in buying the Vodafone Group, the mobile communications concern.

However, Mellon says it would be "speculative" to comment on the possibility of making any moves of a similar nature, but he confirms that such acquisitions would come within his responsibility.

Insurance moves

■ Colin Honey, 50, has been appointed deputy managing director of Domestic & General, the fast-growing insurance company which specialises in insuring domestic appliances.

Honey is being groomed to take over as managing director next summer from Howard James who is planning to take life easier following a serious operation. James will remain on the board as a non-executive director.

James' planned retirement ends a 17-year partnership with Martin Copley, Domestic & General's 52-year-old chairman. Domestic & General was floated on the unlisted securities market in 1988 at 165p. Since then its shares have risen nearly six-fold. By concentrating on a specialist niche – it has more than 2m policyholders – it has managed to escape the downturn in the rest of the insurance industry.

■ Commercial Union, the most successful of the UK composite insurers, is continuing to make extensive use of the coterie of former city analysts who have joined the company in recent years.

Peter Rice, who joined CU from County NatWest in 1988, is appointed a UK divisional director. Chris Pountain, who made his name at Morgan Stanley and other securities houses before joining CU earlier this year, succeeds Rice as group corporate finance and planning manager.

Pountain, 39, and Rice, 42, are both qualified actuaries.

Constructive careers

■ Michael Richardson (above left), formerly a director of Eleco Holdings and Fairclough Building, has been appointed md of Nico Construction (Europe). Ian Ruperti, a director of Nico's parent TEAM SERVICES, has also joined the board.

■ Colin Dearlove (above right) has been promoted to group finance director of BARRATT DEVELOPMENTS succeeding Robert James who has taken early retirement.

■ Chris Marsden, a director of BALFOUR BEATTY BUILDING, has been appointed director of its northern region.

■ Doug Chalmers, project director of Broadgate Development, has been appointed BOVIS CONSTRUCTION director at Bristol.

■ Keith Charlton has been appointed md of BELLWAY HOMES' north west division; he moves from Connolly Homes and succeeds Gerry Hamilton who becomes strategic land director of Bellway estates division.

■ Gordon Dibble, formerly executive vice-president and chief operations officer of John Brown's US business units, is promoted to md of JOHN BROWN Engineers & Constructors Ltd, London; he succeeds David Moorhouse who becomes chief executive of the John Brown engineering & construction sector.

Cicurel moves to ICD

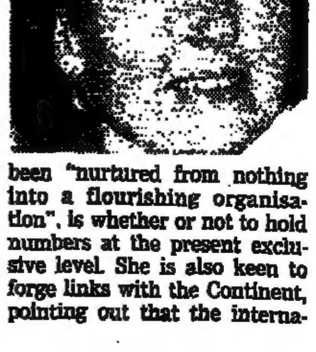
David Cicurel, currently the French chairman of International Media Communications, the USM-quoted video products and soft drinks company, is to be appointed the new chairman of International Communication & Data, following the enforced retirement through ill-health of the incumbent, Nigel Balcombe.

Daniel Unger, interim chairman of ICD, says IMC had agreed to provide Cicurel's services to ICD in return for an option to subscribe for 6.95m ordinary ICD shares (12.2 per cent of its equity) exercisable within three years at 7p apiece.

USM-quoted ICD supplies names, addresses and information to the direct mail/direct marketing industry.

New chairman for Forum UK

Baroness Denton, who founded Forum UK, one of Britain's top women's networks, is stepping up to become president; she is to be replaced as chairman by Pam Garside (right), who takes over for a two year period.



Forum UK, which has 175 members and is part of the International Women's Forum, was founded in 1989. Its members meet two or three times a month, including a regular breakfast at the Ritz. Employment secretary Gillian Shephard is a member, as is Barbara Mills, director of public prosecutions.

Garside says the most contentious issue she faces in taking over an outfit that has been "nurtured from nothing into a flourishing organisation", is whether or not to hold numbers at the present exclusive level. She is also keen to forge links with the Continent, pointing out that the international forum is very much American-dominated, and that there is, for instance, no offshoot in Germany as yet.

Garside, who was brought into Forum UK at the beginning, spent 10 years, until 1989, studying and working in America. She took a masters in hospital and health care administration from the University of Minnesota, and spent six years at Health One Corporation, Minneapolis. She now runs her own consultancy "New Health"; is director of organisational development at North West Thames Regional Health Authority; and is a visiting fellow of the school of management at Imperial College.

The allure of warehouses

The sector's attractive yields have caught the eye of investors and developers, writes **Vanessa Houlder**

The humble warehouse has long been regarded as one of the least glamorous sectors of the property market. That dowdy image, however, is in part responsible for its laudable record as one of the industry's most successful sectors.

In the 1980s, speculators' neglect of this seemingly unpromising market helped protect it from the oversupply that plagued the rest of the industry. That, in turn, helped warehouse properties generate returns of 22 per cent over the past five years – more than double the market as a whole.

However, the sector's reputation is changing. High yields, low management costs and the availability of new leases with good covenants have attracted new investors in the past couple of years. At the same time, a flurry of interest from developers has raised the possibility of oversupply.

Recent concern about oversupply is well founded, according to a new report* by Chesterton, the property consultancy. "Caution is required to prevent the bandwagon effect which led to oversupply in the B1 [light industrial and other business uses] market," it warns.

The shift in attitude stems in part from far-reaching changes within the distribution industry itself. Modern warehouses are larger, more carefully positioned and more sophisticated than ever before – a trend that is most visible in the big distribution parks that have emerged along the M1 and M6 motorways throughout central England.

The impetus for change in the distribution industry has come from the need for improved response times and more frequent, faster

Warehouse properties have generated returns of 22 per cent over the past five years

deliveries. This has stemmed from the heavy costs of holding stock, the relative fall in transport costs and the increasing dominance of the large retailers.

"The conventional warehouse of the early 1980s is now becoming increasingly outdated," says Chesterton. "As the level of sophistication continues to increase, so the life of the building shortens and the rate of obsolescence grows."

Market lift: new distribution practices have also fuelled demand

Large retailers, particularly grocers, have been the driving force behind such changes. From the mid-1970s onwards, they began to switch from local distribution systems controlled by suppliers to their own regional or national distribution networks. Other types of retailers have gradually followed suit, although many are still grappling with the need to centralise their distribution networks. Most manufacturers are even further behind, having concentrated on rationalising their production facilities in the 1970s and 1980s.

The momentum of these changes has been checked by the slowdown in the economy. "It has been slowed down by recession but it is still happening," comments Ms Christina Howick, a partner of PMA, a London-based property consultancy.

Even without the recession, the distribution industry is faced with some important challenges and uncertainties, including:

● The road versus rail debate, which has important implications for the location of distribution centres. The case for distribution by rail is enhanced by the costs of congestion, pollution and other environmental concerns. However, many manufacturers and retailers are sceptical of the rail industry's ability to provide the right level of service and reliability.

● The single European market, which is prompting manufacturers to review their manufacturing and distribution operations on a pan-European basis. Companies wanting to service the northern European market from one location are likely to favour northern France, Belgium, Germany and Holland over the UK.

● The future supply of land for warehouses. Chesterton reports that investors are concerned about the high allocation by local authorities of land for distribution uses. This could depress the rate of rental growth, investors fear.

At present, the distribution of land with planning permission for warehouses is very uneven. The south-east and east Midlands have more land with detailed planning permission for such use than other regions.

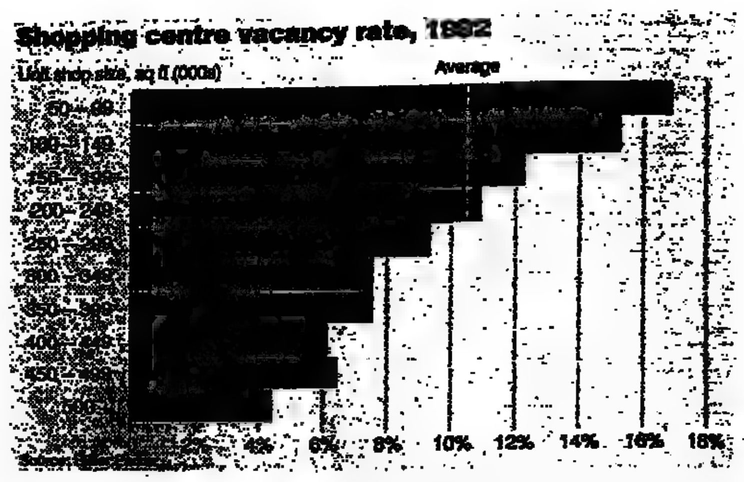
This concern contrasts with the complaints of developers about what they consider to be restrictive planning policies. "There is a dearth of constructive planning policies on the subject which is hampering British industry," complains Gazeley Properties, a leading warehouse developers.

● Pressures for shorter leases, particularly for second-hand space. "Short-term distribution contracts are typically three to five years and there may be resistance to an institutional lease of 25 years," says Chesterton.

As well as these uncertainties, warehouse property has the disadvantage of large average lot prices – often costing more than £10m. This, combined with the specialist nature of these investments, heightens the risk involved in replacing a defaulting tenant.

These risk factors justify a higher yield than other kind of property. Indeed Chesterton believes that some yields have been driven down to unrealistic levels. The growing availability of research and awareness of this class of property are likely to stimulate continued interest among investors. But the downward trend in yields suggests that the re-rating of the sector over the last few years may have run its course.

* *Shedding Light on Warehousing and Distribution, Chesterton Research Department, 54 Brook Street, London W1A 2BU, £55.*



VACANCY RATES in shopping centres are markedly higher in small schemes, according to new research by Hillier Parker, the chartered surveying firm.

Many smaller schemes do not have sufficient critical mass or sales potential to attract large chain retailers and strong independents, according to Hillier.

The average unit shop vacancy rate in schemes opened between 1965 and 1985 is just 5.7 per cent – well under average high street levels – compared with 20 per cent for schemes opened between 1986 and 1991.

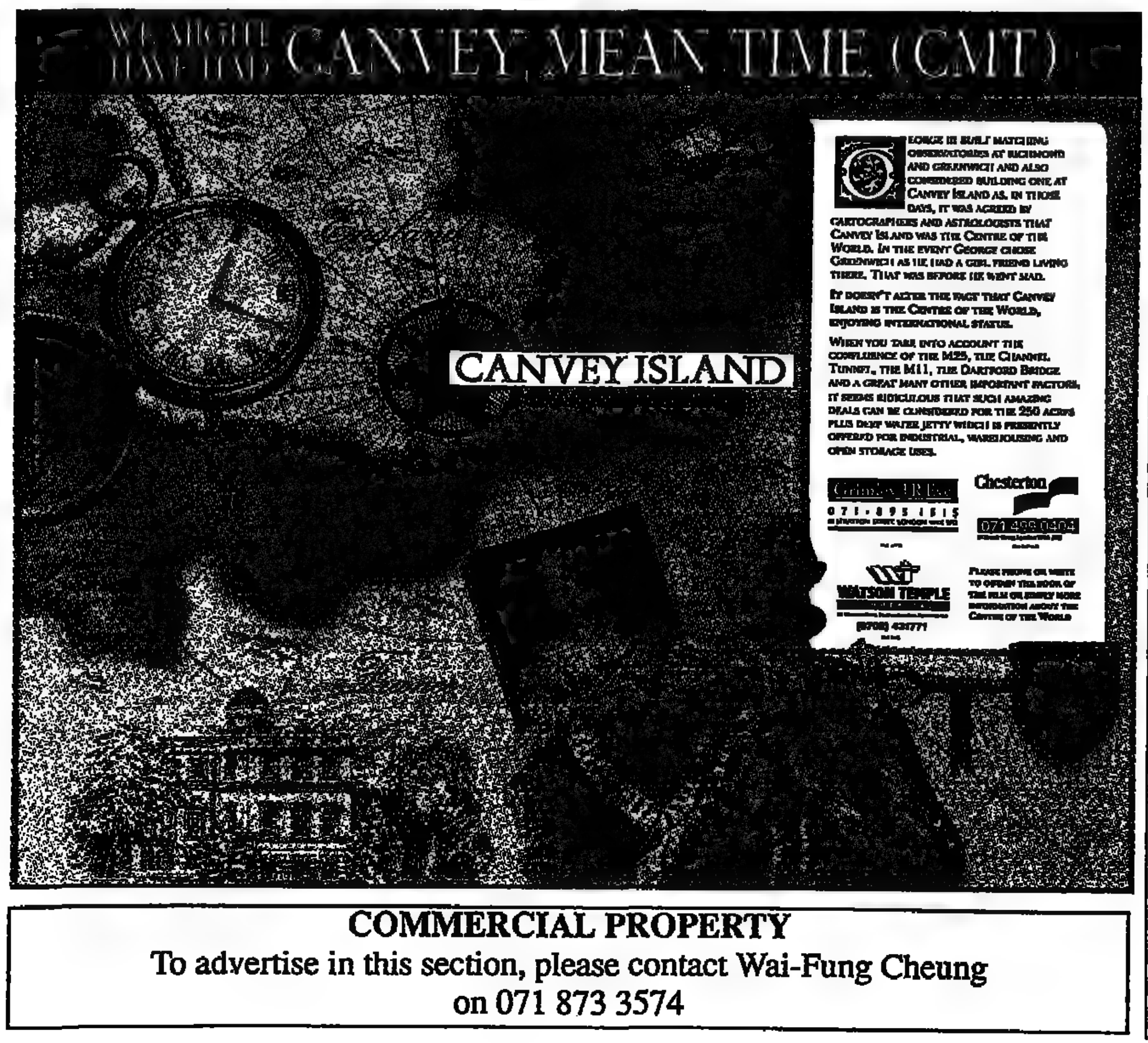
In many cases, high vacancy rates in schemes that opened after 1989 cannot be blamed on the sharp decline in vacancy rates. "In a significant number of cases, letting problems result more from scheme deficiencies," it says. Flaws included poor scheme design, inadequate anchoring, insufficient critical mass and an inappropriate scheme size.

Vacancy rates are highest in southern England, reflecting a build-up of supply and the subsequent decline in demand since the late 1980s.

TOTAL RETURN (%)

	Retail	Office	Industrial	All Properties
Year to Sep 92	6.2	-6.0	3.1	0.9
Quarter to Sep 92	0.2	-2.1	-0.7	-0.6
Month of Sep 92	-0.4	-1.0	-0.6	-0.7

Investment Property Databank



CONTRACTS & TENDERS

LEGAL NOTICES

PERSONAL

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Concert

Grieg's 'Peer Gynt'

Most music-lovers know that Grieg's famous *Peer Gynt* Suites were drawn from the *theatre-score he composed for* the first production of Ibsen's epic, at the playwright's express request. *From time to* time we hear more of the music, when some orchestra takes the trouble to collect suitable singers, and an actor or two to narrate and to speak some lines when a musical fragment needs them.

But such performances have always relied upon a posthumous edition published in 1908, when some parts of the score had already gone missing. Only in 1986 was everything found and reinstated in the right order, thanks to the doctoral labours of Rune J. Andersen. Though Neeme Järvi and the Gothenburg Symphony recorded the complete score the next year, it seems that their Barbican performance of it on Wednesday was the first before a live audience since the original staging in Christiania (now Oslo).

It was done in style. Peer Gynt has just one serenade, evidently written not to overstretch a leading actor who does not sing much, and his Solveig two pretty songs, but the excellent Hakan Hagegard and Barbara Bonney were imported to sing them. Laurence Howes had devised an ingenious English text, often in rhyme like Ibsen's, and ample enough *to establish* some characters and the gist of the story.

Gerard Murphy and Simon Callow enjoyed themselves hugely as Narrator (plus Boyg and Button-Moulder) and the speaking Peer – despite Callow's erratic grip on his words: at one point he addressed his desert princess not as "Lily of the sand", but "of the Strand"! – with ripe *support from Susan Engel and* Joanne Pearce. Probably this version stretched out longer than originally foreseen, for the announced Bartók Concerto was quietly scrapped; but this *Peer* filled up the time very pleasurably.

The Gothenburg orchestra is clearly first-class and Järvi's spontaneous dramatic instincts were exactly what was needed to keep the score *sharp. The lesser among its 26* numbers are, after all, fairly routine swatches of theatre-music. On the other hand, to hear *all* the bits is to be struck by Grieg's personal way with harmony, consistently genteel but also piquant, and his fine ear for instrumental colour without tricks.

It was particularly rewarding to hear the choral passages restored. Though Grieg was *careful not to demand* too much of the voices, the arrival of their human timbre is always planned to telling effect. The Tallis Chamber Choir did more than justice to all their music, whether as trolls, houris or decent church-goers. The three herd-girls who lure Peer to a night *of* passion *turned out* to make a lusty Valkyrie-ish trio, and Der-Shin Hwang sang a sultry desert princess.

David Murray

Sponsored by Skandinaviska Enskilda Banken London

Classic drama in Germany gets a revolutionary look

***Jackie Wullschlager** finds that the boldest, most inspiring shows come out of east Berlin*

It is exactly three years since the Berlin Wall fell, and in the theatre the offstage drama is revolutionary. This month, a newly privatised Berliner Ensemble, once Brecht's Marxist bastion, is launched. The Rosa Luxembourg Volksbuhne (People's Stage) reopens with a savage satire against the Bolsheviks. And the jewel in east Berlin's dramatic crown, Max Reinhardt's Deutsches Theater, is finding 80 per cent of its audience from the west.

What is left of the theatrical traditions of East Germany's proudest cultural achievement? Theatres in the DDR used to be cheap, full, and politically alert. The structure and the audiences may have changed, but the surprise is that the style survives. Drive blindfold in and out of the Brandenburg Gate, pick any Berlin stage, and from gesture, accent, overall mix of dramatic ingredients, you will still tell an east *German production at once. Some of* the boldest, most inspiring shows across the country now come out of east Berlin.

At the Deutsches Theater, Thomas Langhoff's version of Hofmannsthal's *The Tower* is a model of a classic given a new lease of life. *The Tower,* written by an ageing author lamenting the collapse of Vienna, has an *unhappy stage history – it opened* in 1928, simultaneously in Munich and Hamburg but with opposite endings, because Hofmannsthal could not make up his mind – and on the page it seems incredible that this lumbering relic of palmy Habsburg days was a contemporary of Brecht's *Threepenny Opera*, which opened in Berlin the same year.

Yet Langhoff, via a dash of Brecht, has turned the play into a comic commentary on our times. The story, adapted from Calderón, is a parable of changing regimes. It tells of Prince Sigismund, who is imprisoned in a tower because an oracle foresaw he would cause his father's downfall and, taken to court for a day, turns out as murderous as predicted. *But he is in fact anti-Machia*vellian, a spiritual leader used by plotters, then sacrificed for a people's king, Corporal Oliver.

Langhoff works it as cartoon strip of coup and counter-coup where palace putsch, revolt against the *ancien régime*, new totalitarian ruler all strike chords with Germany's current upheavals. Jorg Gudzuhn plays the King as Clown, a fusspot in furs and feathers who rolls his "r"s like Chaplain doing Hitler, haggles over his pension, throws tantrums. Gudzuhn, with his elastic face, shaking limbs and forlornly grand gestures, streaks slapstick with tragedy: from *mad Habsburg to Honecker, he is* every ruler on the way out. In a climactic fight with his son, he gets a bloody red nose – a literal clown who has lost power and love.

Langhoff underlines Oedipal battles with a comic vision of the Doctor (Reimar Baur) as an identikit Freud, bearded, spectacled and anxious, sent to analyse the wild beast that the caged Prince has become. For his visit, the huge black tower-prison commanding the stage reverses into a tall white lab with fluorescent lights and doors and furniture distorted into high, long, unnerving shapes.

It is one of many brilliant clashes of mood with which Langhoff paints conflict. Another has grey advisors *giggling against the chime of church* bells as the king goes mad in a monastic rose garden: spiritual *ecstasy versus worldly disaster.* Sigismund, metamorphosed from wild child to courtier to martyr in breathless, blood-and-sweat star turns from Daniel Morgenroth, is sacrificed like the tower in a chess game. In a last metaphor of changing values and the downfall of ideologies, Oliver (Frank Leinert), the commissar in boots and steel-rimmed glasses, pushes his double forward onto a balcony and the power puppet is acclaimed by the masses.

Langhoff uses Brechtian devices – kinghood must be ridiculous, for example – but each character is so *finely delineated that individual* emotions are rarely subsumed in big ideas.

But at the Rosa Luxembourg Volksbuhne Frank Castorf directs a *King Lear* which is just the reverse. At first its craziness compels. Castorf has the obligatory absurd king (Wilfried Ortmann), a bumbling pensioner so down-and-out that even his *shoelaces are rotten. His* three daughters are charladies, cleaning the stage with silver buckets. The abandoned Cordelia (Annett Kruschke) does not cry but pisses into hers; her husband marries her with her trousers still down and drinks the contents of the bucket.

This proletarian *Lear* turns the disintegrating state into an everyday farce: its reality, perhaps, for the man in the street who finds the shops empty and the tram too expensive. *It is set on shifting planks of* wood whence courtiers fall off the edge into ditches of water. No one knows where he is going: a country adrift without policy. Lear is not even sure which tragedy he is in; once he calls Cordelia "Ophelia". A fat cabbage, hacked up with a hammer, points the blame: the German for cabbage is "Kohl".

If you enjoy political satire, this is a show to catch. But it is not Shakespeare, it is absolutely lacking in emotion, in the sense of characters as individuals, and in the subtlety and generosity of spirit which makes contemporary reworkings of Shakespeare truly come alive.

The Tower and *Lear* are both about individuals caught up in revolutionary times, and this is the dominant theme across east Berlin stages. The Berliner Ensemble continues *to show vintage Brecht* productions on the subject, *Galileo* and *The Good Woman of Setzuan*, until the premieres of its new directors in January. The highlight of the recent Brandenburg Theatre Festival in Berlin was a Potsdam production, *The Small Pogram at the Station Buffet*, about uprisings against a small town Jewish couple. It was sparked by *Jewish mourners in* Brandenburg overhearing the disapproving mutter "It wouldn't have happened under Honecker".

Another Volksbuhne premiere, *City of Justice*, is a first-ever production of a Russian satire on the revolution by Lew Lunz written in 1923. Director Andreas Kriegenburg catches some of the mood of its propaganda opposite, Eisenstein's *Battleship Potemkin*, with a mass of desperate Soviet soldiers hanging on to a ramp which goes straight through the auditorium and a cast of citizens who find themselves in a city not of justice but of nightmarish machinery ordering every aspect of their lives.

This is a loud, dark, violent show, the jokes about soldiers wanting to "get to Russia" – a cause of special mirth here – as insistent as the drumbeat from the foyer which carries even to the nearest U-bahn station. It is a claustrophobic, heady experience, but like the other shows here, unlike drama anywhere else in Germany.

The Tower is in repertory at the Deutsches Theater; King Lear and City of Justice in repertory at the Volksbuhne am Rosa Luxembourg Platz.

Comic commentary on our times: Jorg Gudzuhn in Langhoff's version of 'The Tower'

Theatre

Stages

The old firm of David Storey the writer, Alan Bates the actor and Lindsay Anderson the director is back with Storey's new play, *Stages* at the Cottesloe in the National Theatre. The firm has *not matured with age. Indeed if you* want a throwback to the 1960s, here it is. Outside of parody, it is hard to imagine such a mixture of the worst of Harold Pinter, more than a touch of John Osborne, a nod to John Braine's *Room at the Top* and an acknowledgement of Philip Larkin for writing verse about the north of England. The victim is Bates, who remains a powerful actor *but can hardly be expected to carry a* text like this.

The point about Storey – it is always *said, not least by himself – is that he* was born north-country poor, preferred art and literature to a more humdrum life, and played professional rugby league in order to support his studies. Thus the hearties regarded him as an aesthete, and the aesthetes regarded him as a hearty.

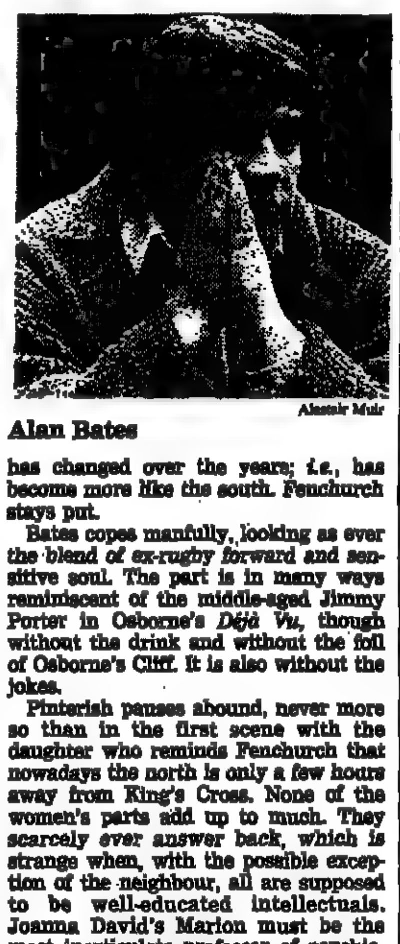
Stages is the story retold, plus women. There are a lot of them about. Fenchurch, *the central character,* has a daughter called Karen, an ex-wife called Bea, a psychiatric adviser called *Marion*, and a *glamorous-looking* woman called Rebecca who appears to be his neighbour but is treated as a surrogate for all his longings. The main woman in the Fenchurch saga, however, does not appear. She is Bea's mother, for whom he fell before he married the daughter and with whom he continued an affair long after.

The play contains one interesting line *about why it is that some of us go mad* and others do not. No answer is given; not is there much of an attempt to find one. Fenchurch's dilemma seems to be whether he should go back to the north, from which he and much of the 1960s drama came, or stay in the south which he first welcomed for its anonymity. It is pointed out in passing that the north has changed over the years; *i.e.*, has become more like the south. Fenchurch stays put.

Bates copes manfully, looking as ever *the blend of ex-rugby forward* and sensitive soul. The part is in many ways reminiscent of the middle-aged Jimmy Porter in Osborne's *Déjà Vu*, though without the drink and without the foil of Osborne's Cliff. It is also without the jokes.

Pinterish pauses abound, never more so than in the first scene with the daughter who reminds Fenchurch that *nowadays the north is only a few hours* away from King's Cross. None of the women's parts add up to much. They scarcely *ever answer back*, which *is* strange when, with the possible exception of the neighbour, all are supposed to be well-educated intellectuals. Joanna David's Marion must be the most inarticulate professor of psychiatry ever. Rosemary Martin as the neighbour is more a figment of the imagination than a character.

The set, designed by Jocelyn Herbert, *looks as if it has been taken from recent* productions of Pinter: pretty well bare, but with the occasional use of see-through gauze doors. It is Pinter without the menace.



Alastair Muir

Alan Bates

Malcolm Rutherford

Cottesloe Theatre (071) 928 2252

Ballet/Clement Crisp

Thérèse Raquin

One of the appalling effects of Stalinism upon the Soviet Union was the doctrine *of Socialist Realism*, whereby art had to reflect the ideals of socialism on the most blatant populist terms. The *creative subterfuges that sought to find* ways out of this prison were fascinating, but experiment and adventure were reduced to the very margins of the arts. The shadow of these prison bars fell across ballet well into the 1970s and the catalogue of choreographers whose work was rejected, or dismissed to the depths of the Union includes the venerable Kasyan Goleizovsky, and such *interesting figures as Leonid Jacobson* and Igor Chernichov.

That an art thus thrown in upon *itself, and upon its most traditional* procedures, flourished at all is a marvel. The work of Yury Grigorovich at the Bolshoy has brilliantly exemplified the vigour that an imaginative choreographer could bring to the well-defined conventions of state ballet.

Not only was Soviet ballet a creative prisoner, it was not allowed many visiting ideas from abroad. Thus the "modern" ballet *that* has evolved is blinkered, obsessed with what are supposedly "modern themes": a franker *sexuality* than that allowed by the diktats of Mme Furtseva, and a need to expose the tensions of a state undergoing monumental change. Of true modernism – the evolution of post-Balanchinian classic language (or even a Balanchinian language); experiment that examined means rather than message – I have seen no trace. Hence such awful things as Vinogradov's *Revizor and* his up-dated *Petrushka*. Hence the banalities of many other works which propose modernity and look as if they were conceived (as they were) by Inexperience out of Deep Feelings – that most dangerous artistic parentage.

And hence, too, Boris Eifman and his St. Petersburg Ballet Theatre which is at Sadler's Wells this week. Mr Eifman started to make his dance pieces in the late 1970s as a gesture of defiance *against the Leningrad establishment.* Of his sincerity there can be no doubt – it is only latterly that he has been *granted any formal recognition – but* about his creative procedures I have every doubt in the world. He offers two works. *Thérèse Raquin* begins on a high note of hysteria and contrives by some dire alchemy to increase the nervous pressure and diminish the drama. It is reportedly a tragedy. I found it rather more of a laugh than *Figaro's Intrigues* that completes this desperate programme, a leaden romp on which I reported some three years ago when it was staged by the Ballets de Monte *Carlo*.

Thérèse Raquin caricatures Zola's novel, reducing it to awkward grapplings between Thérèse and her lover which are played against a frieze of posturing corps de ballet members who don black cloaks, a variety of confusing outfits, and at one moment burst on stage like a team of gymnasts on a day's outing. They do a lot of unison emoting, *which is no help at all.* Thérèse's mother-in-law has a hell of a time in and out of a wheel-chair. The piece goes on for an eternity, and maltreats gems from Bach for its first part, then sinks its teeth into Schnittke's gritty piano concerto. Of choreographic interest I could discern no trace.

Figaro's Intrigues (the chief of which is against Beaumarchais) is set to Rossini in less than appealing arrangements, and is Very Vivacious Indeed. It is also inconsequential as drama and *hugely predictable as dance – Massine* on a bad day. The casts of both works give of their all in peculiarly exhausting fashion. The evening is not recommended.

St.Petersburg Ballet Theatre is at Sadler's Wells until November 21. The season is supported by LBC News Talk.

Jazz/Garry Booth

Garbarek and Scofield

Unmistakeable for its frosted beauty, the usually melancholic music of the Jan Garbarek Group took on full blizzard dimensions for the Festival of Scandinavian Arts. *Flaxen haired* Eberhard Weber's eddying electro-bass and Rainer Bruninghaus' gothic keyboards wrapped around Garbarek's saxophones remain at the core. But the addition of Danish born Marilyn Mazur on percussion and Norwegian singers Mari Boine and Agnes Buen Garnas expanded and energised the outfit to exhilarating effect at the Barbican on Sunday.

Garbarek's *lonesome* and ready bent soprano or his dissonant tenor can insinuate eastern exoticism when taken with a tabla accompaniment (*Ragas and Sagas* is his most recent offering on the ECM label). To hear his great swirling anthemic arrangements of nordic *joiks [sic] as in last year's I Took Up The Runes* is to hear the 45 year old Norwegian in his natural setting, however.

The numbers, unannounced and improvised on at length, are based on simple and even hooky folk tunes. Where some have empty spaces occasionally crossed by Bruninghaus' cranky notes, carried by Weber's sonorously and electronically interwoven *bass lines, others* swing densely with Mazur's dynamic percussion as if for a snow bound calypso.

The re-introduction of singers – Garbarek has worked with both before – is especially welcome, alongside the appointment of Mazur's dancing percussion. Mari Boine was first on with a ringing and probably salutary *tale set cleanly against a flat* synth background, Garbarek also piercing the gloom *occasionally on soprano.*

Later Agnes Buen Garnas, stern but striking, belted out *an ululating harmony* with Garbarek's shrill tenor, closing with an uplifting chant that suggested a nordic muezzin.

*

In stark contrast to the wide open landscape of sound created by Garbarek's group, American guitarist John Scofield's group sent his nervous neo-bop tunes ricocheting around the Festival Hall on *Monday*. Teamed up with his favourite saxophonist, burly Joe Lovano, bassist Dennis Irwin who crouches over the upright and young drummer Bill Stewart, Scofield's absorbing and sometimes Monk-ish technique is to tie up his melodies in knots.

In a selection of tunes taken from recent and forthcoming Blue Note recordings, Lovano and Scofield exchanged *solos* jerkily, Irwin and Stewart taking turns by rote. A new ballad, "*Easy For You*", (the new album is *Jazz Camp*) followed a bluesy theme, "Since You Ask", Scofield beautifully teasing out a romantic melody. "Grace Under Pressure", the title track of the current recording, closed with more knotty soloing from Sco', followed by shading, as a bouncing Lovano picked up the lead.

INTERNATIONAL ARTS GUIDE

Peter Shaffer's new play, The Gifts of the Gorgon, receives its world premiere in London on December 16 (previews from Dec 2), in a Royal *Shakespeare* Company production directed by Peter Hall at The Pit. The cast is headed by *Judi Dench* and Michael Pennington. The play – a story of passionate love, *achievement and estrangement* between a turbulent writer and his wife – tackles the themes *of revenge and justice.*

A second highlight of the RSC's London programme next *month is a new production of* Hamlet starring Kenneth Branagh, directed by Adrian Noble. *The production*, sponsored by Unilever, opens at the Barbican on December 18 (*previews from* Dec 12), and will transfer to Stratford for the 1993 season.

***Other first nights* in London in coming weeks include a John Wells adaptation of Cyrano de Bergerac at the Haymarket, starring Robert Lindsay (opens Dec 8, previews from Mon), and Terence Rattigan's The Deep Blue Sea, with Penelope Wilton as Hester (opens Jan 7 at the Almeida).**

Trelawny *of the* Wells, Arthur Wing Pinero's 1898 play about *backstage romance among the* acting fraternity of late Victorian London, returns in two *distinctive productions: the first*, directed by Toby Robertson, opens at the Comedy Theatre on December 7, with a cast led by Helen Bonham-Carter and Sarah Brightman; the National Theatre follows in February with a production at the Olivier directed by John Caird. The National's main Christmas offering is Carousel, *the* Rodgers and Hammerstein musical directed by Nicholas Hytner (opens Dec 10, previews from Dec 1).

EXHIBITIONS GUIDE

AMSTERDAM

***Van Gogh Museum** Glasgow* 1900: more than 100 objects providing a survey of art and design *at a period when* Glasgow was the UK's second city and sixth in Europe in terms *of trade. Exhibits from the* Glasgow School of Painting – a mixture of Scottish tradition with European *influences* – stand alongside works by French and Dutch contemporaries, including Corot, Cézanne and Millet, which were collected by successful businessmen. The designs of Charles Rennie Mackintosh are also represented. Ends Feb 7. Daily

Rijksmuseum Chiaroscuro Woodcuts by Hendrick Goltzius (1558-1617), highlighting a less well-known facet of the great Dutch draughtsman and engraver. Ends Jan 10. Closed Mon

Stedelijk Museum Jeff Koons (b1955): first retrospective devoted to the American artist who uses mass-produced objects to provide a mirror of the trivial culture surrounding us. Ends Jan 3. Daily

BALTIMORE

Museum of Art Icons of *Modernism from the Museum* of Modern Art, New York: works by Van Gogh, Picasso, Cézanne, *Chagall, Hopper and others.* Ends Jan 17. Closed Mon and Tues

***Walters Art Gallery** Ottocento:* Romanticism and Revolution in 19th century Italian paintings. More than 100 paintings reflecting the tensions and conflicts that arose out of Italy's struggle for unification. Ends Jan 2. Closed Mon

FRANKFURT

Schirn Kunsthalle Gabriele Münter (1877-1962): retrospective of the painter who was *influenced by the* Fauves, lived and worked with Kandinsky and ranks as one of the foremost female artists in early 20th century Germany. Ends Feb 10. Daily

LAUSANNE

Musée Cantonal des Beaux-Arts Felix Vallotton (1865-1925): retrospective of the Swiss Post-Impressionist who joined the Nabis. Closed Mon

Fondation de l'Hermitage From David to Picasso: 200 paintings, drawings and sculptures from the Musée de Grenoble. Among artists represented are Matisse, Gauguin, Modigliani, Renoir, *Magritte and Ernst. Ends March* 21. Closed Mon

Musée d'Art Contemporain Roy Lichtenstein: 70 works by one of the founders of pop art. Ends Jan 31. Daily

LONDON

Royal Academy of Arts Sickert: a major exhibition marking the 50th anniversary of the death *of one of the most European* of English painters, with 134 works from collections worldwide. *Throughout his life* Sickert sought to overturn the decorous gentility and good taste *which he thought* bedevilled English art, and his increasing social and psychological realism, as in nudes like La Hollandaise, shocked and dismayed his public. Ends Feb 14. Also Sacred Art of Tibet. Ends Dec 13. Daily

National Gallery Munch: The Frieze of Life. Advance booking through First Call 071-497 9977. Ends Feb 7. Daily

Barbican Border Crossings: 14 Scandanavian Artists. Ends Dec 15. Daily

Design Museum Scandanavian design in Britain 1930-70. Also New Directions in Scandanavian Design. Ends Feb 28. Closed Mon

Riverside Studios Joan Brossa (b1919): retrospective of the Catalan artist and poet. Ends Jan 10. Daily

Tate Gallery Grand Manner Portraiture in Britain from Van Dyck to Augustus John. Ends Jan 10. Also The Painted Nude. Ends Dec 27. Daily

NEW YORK

Museum of Modern Art *Matisse.* Ends Jan 12. Closed Wed (Admission is by timed-entry tickets. Call Ticketmaster 212-307 4545)

Metropolitan Museum of Art The Royal City of Susa: Ancient Near Eastern Treasures in the Louvre. 200 works in precious metal, stone, bronze and clay from the *third, second and first centuries* BC, found in the seat of the Elamite and Achaemenid kings *in southwestern Iran, and* representing a century of French archaeological excavation. Ends *March 7. Also Masterworks from* Lille: 100 paintings and drawings from the Renaissance to the 19th century, including celebrated works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Closed Mon

Whitney Museum of American Art Agnes Martin: 80th birthday retrospective. Ends Jan 31. Closed Mon

PARIS

Grand Palais Picasso et les Choses. Ends Dec 28. Closed Tues, late opening Wed (ave du General Eisenhower)

Musée d'Orsay Sisley: 60 paintings illustrating his role in the Impressionist movement. Ends Jan 31. Closed Mon, late opening Thurs (quai Anatole France)

Musée Picasso Crucifixion: an exhibition including Picasso's masterpiece of 1930 and works by Bacon, Sutherland and de Kooning which were influenced by it. Ends March 1. *Closed* Tues

Galerie Didier Imbert Fernando Botero: pastels, drawings, *watercolours and small* sculptures by the artist whose monumental sculptures currently decorate the Champs Elysées. Ends Jan 30. Closed Sun and Mon (19 ave Matignon)

Louvre Pannini (1691-1765), painter of town perspectives and chronicler of ceremonial festivities. Ends Feb 15. Also *Drawings by Liotard (1702-89)*. Ends Dec 14. Closed Tues (Pavillon de Flore)

Petit Palais *French 18th century* drawings. Ends Feb 14. Closed Mon (ave Winston Churchill)

STOCKHOLM

Moderna Museet Léger and the Nordic countries: 60 works by the French Cubist from the period 1914-38, when he travelled widely in Scandanavia. Ends Jan 6. Closed Mon

Nationalmuseum Rembrandt and His Age. Ends Jan 6. Closed Mon

VIENNA

Historisches Museum Freemasons – For as long as the World Exists: a survey of distinguished freemasons from the past, cult instruments used at initiation ceremonies and a reconstruction of the assembly room of the lodge of which Mozart was a member. The exhibition also shows how medieval master builders incorporated masonic ideas into Catholic church buildings. Ends Jan 10. Also Pictures of Death: documents, keepsakes, death masks, paintings and sculptures *showing how our relationship* with death and the taboos surrounding it has changed over *the years, and how past and* present artists have depicted death and grief. Ends Jan 10. Closed Mon

Osterreichische Galerie im Oberen Belvedere Ferdinand Hodler (1853-1918): 60 oil paintings by the unsentimental Swiss master of symbolic figures, who overcame the *romantic kitsch in 19th century* landscape art. Ends Jan 6. Closed Mon (Prinz Eugen *Strasse 27)*

KunstHaus Expressionists: watercolours and drawings by the Brücke, the school of painters who paved the way for expressionism in Germany. Ends Jan 31. Daily

Kunsthistorisches Museum The Portuguese in India: the conquests of Dom Joao de Castro on tapestries. Ends Jan 10. Closed Mon

WASHINGTON

National Gallery of Art The Greek Miracle: Classical Sculpture from the Fifth Century BC. 22 pieces, most of which have never previously left Greek soil, plus eleven from Europe's leading museums. Ends Feb 7. Also Ellsworth Kelly (b1923): 40 paintings dating from his early years in France. Ends Jan 24. Art of the American Indian Frontier. Ends Jan 24. Daily

FINANCIAL TIMES

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Friday November 20 1992

Co-ordination within Europe

ECONOMIC GROWTH, or more precisely the lack of it, has replaced inflation as the pressing concern of most European governments. The UK government has already shifted to a pro-growth strategy by partly turning its back on European co-operation. Is this the only alternative for governments that are worried about slow growth and rising unemployment? Or would a change in policies, either co-ordinated between governments or conducted at the European level, be a better way to revive their stagnating economies?

European countries have shared economic problems, which are getting worse. The OECD, in September, forecast European growth of 1 per cent this year and 1.5 per cent next, not low enough to be a recession but too little to prevent the unemployment rate from rising above 10 per cent. The resulting protectionism and anti-immigrant right-wing populism could not have come at a worse time.

Understandably, the Commission wants a co-ordinated response. Yet the EC already has a shared macroeconomic policy which is largely to blame for its current economic difficulties. The European exchange rate mechanism, once a force for disinflationary good, has become an engine of deflation. It has imposed a tight monetary policy which, however appropriate for Germany, has proved increasingly inappropriate for the rest of the ERM, as the Bank of England pointed out in yesterday's Bulletin. Both the UK and Italy, countries with serious internal problems, found the pressure too great and were forced to depart from the ERM. Yesterday, Sweden was forced to retreat from its ERM link.

Monetary response

A co-ordinated loosening of monetary policy is the obvious remedy for this co-ordinated deflation. Yet the persistence of inflationary pressures in Germany, and the unwillingness of France to contemplate a general realignment, look likely to prevent German and thus ERM interest rates from falling more than modestly for months rather than weeks.

Does fiscal policy offer an alternative? Loose fiscal policy is, in fact, the route that most slow growing countries have already been forced to take. The Commission estimates that the EC budget deficit has risen from 2.8 per cent of EC output in 1989 to 5 per cent this year, larger than the fabled US deficit. If the Maastricht fiscal rules were suspended, then there would be room for more fiscal pump-priming. The large European economies, including the UK, are still sufficiently closed that unilateral expansion would have some positive effect. A co-ordinated expansion could, in theory, have beneficial spill-over effects across the community and beyond.

Multilateral solution

Yet it is doubtful whether fiscal policy can do the trick and may well be counter-productive in the face of a persisently tight monetary policy. The spill-over effects of Germany's sizeable fiscal expansion following unification were short-lived and, for most countries, more than outweighed by high interest rates. In any case, Italy, Germany, the UK and Spain are already in serious fiscal difficulties. The markets might expect a further boost in these countries to be permanent and force long-term interest rates higher.

Nor are Mr Delors' proposals for more spending at an EC level anything more than a frustrated gesture. He may be right to push for more infrastucture spending in poorer countries for "cohesion" purposes, and if this is his intention he should say so. But an Ecu 5bn increase in spending, just 0.09 per cent of EC GDP, is too small and would arrive far too late to have any effect on overall economic growth.

The EC's situation looks increasingly perverse. Calls for a co-ordinated fiscal policy, which would in effect mean little more than a rise in the French budget deficit, have arisen because the EC already has too much of the wrong kind of co-ordination. The stranglehold of high German interest rates must be loosened.

Without a deal that allows European interest rates to fall soon, the markets may yet impose further British or Swedish-style unilateral solutions. But a fiscal boost in France might work if it were combined with an offsetting tightening of German fiscal policy, to allow the Bundesbank to cut German interest rates. This would be co-ordination worth having.

Cars, congestion and pollution

THE AUTUMN Statement's removal of car tax may help sell a few more cars, but it also emphasises the contradictions between the UK's transport and environmental policies. More cars mean both more congestion and more pollution. The question is whether the two birds can be killed with one policy stone or whether distinct instruments are required.

Official forecasts of UK emissions of carbon dioxide, one of the gases thought to cause global warming, range from an 18 to a 78 per cent increase over 1990 levels by 2020, at least in the absence of new environmental curbs. If present trends are extrapolated, the volume of traffic on the roads will also rise by two and a half times in the next 30 years. These developments are related, since emissions from transport are the fastest growing category in all forecasts.

Traffic was already mainly responsible for the 30 per cent rise in carbon monoxide emissions during the 1980s. Traffic also doubled the emissions of black smoke over the same period. The introduction of catalytic converters on new cars from next year will begin to curb the emission of those unpleasant gases. But converters work properly only on hot engines, while most car journeys are shorter than five miles. Converters will also fail to reduce emissions of carbon dioxide. Failure to change the transport trend therefore threatens the UK's ability to meet internationally agreed environmental targets, which require "greenhouse gases" to be back to 1990 levels by 2000.

Marginal cost

Growth in the private use of motor vehicles is so high partly because of the underlying increase in demand, partly because of unwillingness to provide alternatives and partly because of the failure to charge properly for road use. Once a motorist has paid for a car, taxed and insured it, the marginal cost of driving is little more than the price of the fuel and the parking. In consequence people drive too much.

The UK government's most publicised proposal for meeting the global warming targets is a tax on energy and on its carbon content. But the European Commission has calculated that its proposed tax of $10 a barrel of oil or oil equivalent would add only 6 per cent to the price of a gallon of petrol and 9.6 per cent to diesel, not enough to make any difference to demand.

A far higher increase in the marginal cost would be needed if traffic volumes were to be restrained. The simplest tool would be a higher tax on fuel. It would be an unpopular measure, but introduced in stages – with the proceeds returned, perhaps through lower value added tax – it might be politically achievable. It would work by discouraging driving and also by making the vehicle fleet more fuel efficient.

Blunt instrument

Higher taxes on fuel would tend to lower congestion. But they are a blunt instrument for that purpose. Higher fuel taxes would also fail to provide any incentive to the private sector to build the new private toll roads that the government desires. Thus road pricing, suggested this week by Mr John MacGregor, the transport secretary, has an important role to play.

Road pricing and higher fuel prices are logically distinct instruments addressed at different targets. But they should be mutually supporting. Moreover, in practice, comprehensive road pricing is not something for tomorrow or even for the day after, while a move towards higher fuel prices can be. Tolls on trunk roads can also be introduced relatively soon, along with trial road pricing in cities, before the introduction of more comprehensive road pricing schemes, perhaps early in the next century. In the meantime there is always the possibility of higher taxes on inner-city parking.

Any attempt to tackle the problems caused by motor vehicles will be politically unpopular. This is certainly true of higher fuel prices and road pricing, both of which are likely to be part of the solution. But a survey of attitudes in the European Community, published yesterday, suggests recognition by the average Briton of the environmental threat posed by traffic. The government needs to educate the public on the painful measures required if its vague concerns are to be dealt with effectively.

Underground staff are poised to stage a strike which has echoes of the 1970s, say **Catherine Milton** and **Richard Tomkins**

Ticket to delays and disruption

First, public demonstrations against pit closures; then, warnings of strife over the government's public-sector pay squeeze; and now a strike call for most of the workers on London's Tube network.

The language and the issues seem a throw-back to the 1970s as politics takes to the streets, and the government "goes for growth" and talks about imposing a "pay policy". Mr John Monks, the deputy general-secretary of the Trades Union Congress, claims: "There is a mood similar to 1979, the feeling that a particular approach to running the economy has failed and that we need a change."

But with unemployment nudging 3m, common-sense suggests the balance of power is unlikely to shift back to unions. It is only weeks since the publication of figures showing strikes at a 100-year low, and the unions themselves are playing down the prospect of action over pay in the public sector. The Tube workers' threat to start an indefinite strike next Tuesday over pay and conditions, like yesterday's strike ballot by British Airways ground crew at Gatwick, seems to be a special case.

The 21,000-strong Underground workforce is highly unionised and tends to mistrust management. Many are inclined to listen to the few activists whose arguments are bolstered by past victories over less ambitious plans to alter their pay and conditions. The last such attempt was in 1989 when there were 17 separate day-long Tube strikes.

The current dispute, if it comes, could be bitter and perhaps violent. London Underground has made it clear that it will run a service if the RMT railworkers' union calls its members out, and claims enough people will cross picket lines to enable it to do so. Passengers will be carried free if there are insufficient employees to staff the booking offices and ticket barriers.

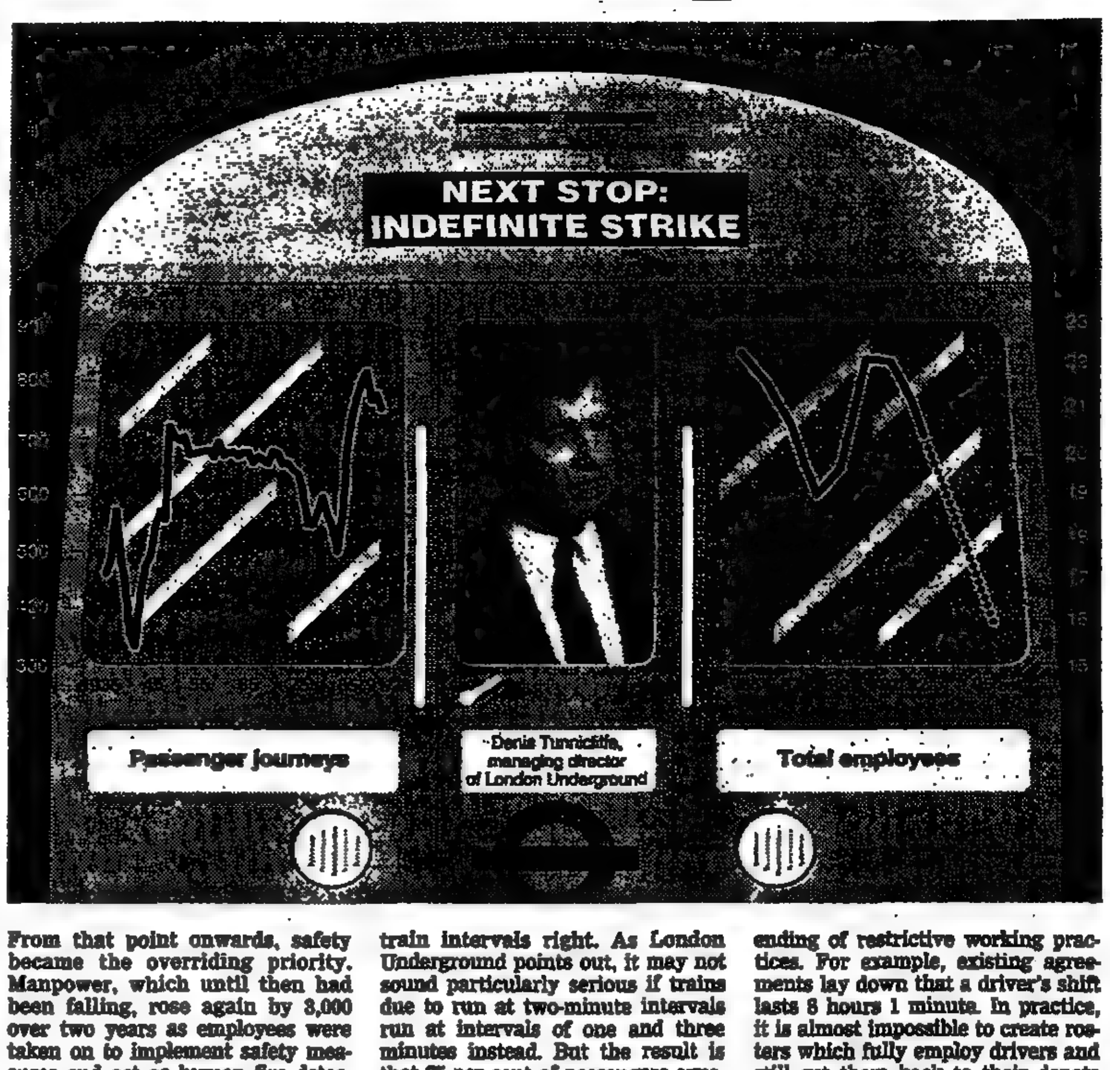
The origins of the dispute lie in a 119-page document called the Company Plan, launched with a fanfare almost exactly a year ago. This set the scene for a three-year programme of change aimed at turning the Underground into what it always should have been: a clean, efficient, punctual, reliable, safe and customer-friendly railway.

Passengers were told of the plan through a bold – some might say bizarre – advertising campaign in which London Underground accepted that the railway was performing unsatisfactorily, blamed itself, and promised better things.

What appeared baffling was how the Underground's management could accept responsibility for allowing services to become unsatisfactory while simultaneously expecting passengers to have any confidence in its ability to put things right. And in any event, if the problems with the railway were capable of resolution, why had they not been solved before?

The answer, explained Mr Denis Tunnicliffe, London Underground's managing director, lay in the railway's recent history. Throughout the 1970s and early 1980s, passenger numbers declined as employment in the capital fell, and there was little incentive either to invest in the Underground or manage it any better. Then, just as passenger numbers started to climb again during the boom in London's financial services industry in the mid-1980s, the King's Cross disaster struck in 1987.

Some 31 people died in the horrific fire that swept through the north London Underground station.



Denis Tunnicliffe, managing director of London Underground

From that point onwards, safety became the overriding priority. Manpower, which until then had been falling, rose again by 3,000 over two years as employees were taken on to implement safety measures and act as human fire detectors pending the installation of electronic surveillance systems. Meanwhile, stations deteriorated as work was started to rip out potentially inflammable materials, and services were constantly disrupted by the need to halt trains and call out the fire brigade on even the tiniest suspicion of fire.

Only in 1990 did London Underground reach the stage where it felt safety could be reasonably assured. Then, in response to the deafening din of complaints about the quality and reliability of the service, it turned its attention to efficiency. It assembled 200 managers into "value analysis" teams and sent them out across the railway to investigate how it could do better.

What the management had expected to find was a series of areas of underperformance that could be picked off one by one and targeted for improvement. Instead, it found such large swathes of poor performance right across the railway that it decided to tackle everything at once. Hence, the Company Plan.

One aspect of the plan is simply a case of doing obvious things to make the railway run better – for example, making more effort to get train intervals right. As London Underground points out, it may not sound particularly serious if trains due to run at two-minute intervals run at intervals of one and three minutes instead. But the result is that 75 per cent of passengers experience 50 per cent higher passenger loadings than they should do.

The solution, according to London Underground, lies in discipline and training. Much of it is simply a matter of making sure the train begins its journey at the right time instead of having to wait on the convenience of a driver finishing his tea-break. After that, it is down to the line controllers and station staff to prevent bunching.

But more important in the context of the current dispute is the other prong of the Company Plan: the onslaught on labour costs. It provides for the workforce to be cut by 5,000 to 16,000, partly by contracting out ancillary activities and partly through an attack on restrictive working practices.

One example of the cuts is the contracting-out of station cleaning, where this has not already been done, at a cost of more than 400 jobs. The move will be accompanied by the contracting out of train cleaning, with the loss of another 400 jobs.

More jobs will go through the ending of restrictive working practices. For example, existing agreements lay down that a driver's shift lasts 8 hours 1 minute. In practice, it is almost impossible to create rosters which fully employ drivers and still get them back to their depots before their shift ends. The introduction of flexible rostering – accepted years ago by British Rail drivers – will enable London Underground to make more efficient use of drivers' time, with a consequent reduction of 600 jobs.

Once redundancy costs have been met, efficiency savings are expected to lower the Underground's operating costs by £150m a year by 1995. In theory, passengers are supposed to feel the benefit through a freeing of resources for higher levels of investment in the railway. Unfortunately, that sentiment is looking a little hollow after the chancellor's decision last week to axe London Underground's investment budget by more than £200m a year below the previous plan to about £500m.

And yet, says London Underground, the rationale for the plan has in no way been undermined by the chancellor's decision. Nor will workers who keep their jobs necessarily be worse off. All employees will switch to salaried status, and most will have more interesting and satisfying jobs; 70 per cent of workers will enjoy pay rises averaging 6 per cent as a result of the changes, and the 30 per cent who stand to take a cut will have their present level of earnings protected until 1995; and redundancies will be voluntary and spread over three years.

So why strike? One idea the unions find difficult to accept is that gains to the winners should overshadow losses to the losers. The average driver may see his salary increase from £20,250 to £23,000 a year, but less skilled workers such as senior booking clerks will see their pay fall from £18,568 to £16,700 a year.

The unions argue that London Underground's divide-and-rule strategy will not work. It has, they say, neglected certain small groups, such as some 300 signals technicians, who are mostly members of the largest rail union, the left-leaning RMT, which has called the strike. The salary of an assistant signals technician, for example, will drop 15 per cent to £13,440. The RMT says 60 per cent of all signals technicians will lose money under the company's plan. This group, the union says, fears its work will in future be contracted out.

But the dispute, from the union perspective, is not just about pay. The unions believe they are defending a workplace tradition of consultation which management wants to abandon. Even workers who stand to gain financially are exercised by the new conditions. The drivers are concerned about new redeployment rules under which they claim earnings could drop by as much as £8,000 a year after three years.

Many workers are upset about other planned changes, such as the move to multi-skilling. For instance, booking clerks who may have been dealing with passengers from behind screens for 30 years could find themselves rostered for platform duties.

There is also concern over ending the link between promotion and seniority and the move to make some workers re-apply for their jobs under new training schemes. The management counters by saying it has responsibility for promotion and deployment.

Privately, some union officials admit they have been surprised by the strength of members' feelings. However, they have considerable doubts about striking in a recession, and while they point to public support for the miners, they suspect that people are unlikely to demonstrate in support of Tube workers whose jobs were not immediately in jeopardy.

Despite their misgivings, union officials are committed to public backing for the strike. They remember the wild-cat action at the time of the 1989 dispute and are determined not to witness a repeat of it. But the RMT's unilateral call for a strike has already irritated both Aslef, the train drivers' union, and the TSSA white-collar rail union, whose members are still balloting.

As for the passengers – what they want to know is whether they are going to get to work on Tuesday. The answer may well be yes. Although three out of four RMT members voted for the strike, only 55 per cent turned out for the vote; and many of them may have been seeking to strengthen their negotiators' hand rather than express a desire to strike, especially in the run-up to Christmas.

Disruption, on the other hand, seems inevitable, with all that implies in delays, cancellations, overcrowding, lack of information and short tempers. The joke among London commuters is whether anybody will notice the difference.

The pendulum swings

The privatisation of strategic UK industries and utilities may have its limits, argues Tony Jackson

Italy is selling its banks, France its chemical companies, Spain its tobacco monopoly, eastern Europe practically everything. Privatisation, from its tentative beginnings in the UK a decade ago, seems unstoppable.

Except, that is, in the UK itself. The mooted privatisation of British Rail is under fire from all points of the political compass. The idea of privatising Scottish water is supported by just 4 per cent of the Scottish population. The shambles of the pit closures has left the public asking whether the privatisation of gas and electricity has made it impossible for the UK to have a coherent energy policy.

The obvious question is whether the UK, having taken the lead in embracing privatisation, is doing the same in turning against it; or indeed, whether the UK is demonstrating to the rest of the world that privatisation has its natural limits.

In looking for an answer, it helps to recall what kind of enterprises are state-owned in the first place. In the UK, at any rate, the list falls into two main categories: so-called strategic industries, and utilities. The first has provided UK privatisation with its greatest successes. The second is its biggest headache.

The concept of the strategic industry has changed and weakened in the years since the second world war. Fighting a conventional war requires ships, aircraft, land transport and raw materials such as steel and oil. Even in peacetime, governments have tended historically to regard those industries as centrally important to the economy. In continental Europe, many still do.

Thus, if those industries required huge capital projects such as steel mills, North Sea rigs or petrochemical crackers, governments paid for them. If individual companies fell on hard times, the government took them over. In the UK, the result was an extraordinary proliferation of state-owned enterprises: British Steel, British Leyland, British Aerospace, British Airways, British Shipbuilders, Britoil, Rolls-Royce and Royal Ordnance. In the end, one of the most compelling reasons for returning all these to the private sector was that, in peacetime, their products could be obtained perfectly easily on the world market.

The utilities are another matter. In the 1980s, the concept of rolling back the frontiers of the state meant that the idea of centrally planning and financing the national infrastructure became deeply unfashionable. In ideological terms, the chief attraction of privatising gas, electricity, water and telecommunications was that it took the provision of basic services out of the hands of bureaucrats and subjected it to disciplines of the market.

The question is whether the provision of certain basic services is a collective reponsibility

With hindsight, this begins to look like the outward swing of the pendulum: an exaggerated denial of the role of central planning in response to decades of blind faith. The question is not which approach works best in practice. Rather it is whether the population at large feels that the provision of certain fundamental services is a collective responsibility.

The furore over the pit closures suggests it may. When the government privatised electricity, it must have quietly congratulated itself on the neat way it was washing its hands of British Coal's future. When the coal contracts came to be renewed, the generating companies were bound to cut their consumption. But the government could argue, with perfect logic, that it was powerless to intervene.

The trouble was that the public would not wear it. There was general astonishment and anger at the idea that the deployment of Britain's finite energy resources could not be discussed at governmental level. Since this had been one of the main ideological points of the exercise, the government was left dangling on a hook of its own devising.

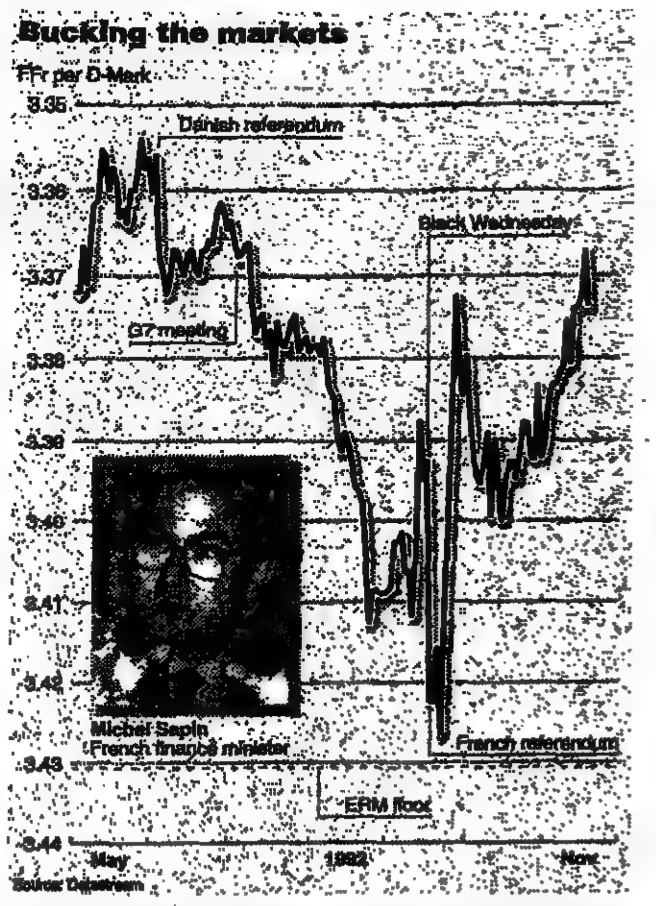
The question now is whether this kind of debate will surface elsewhere. There are one or two signs that it may. In the US, even the outgoing Bush administration has devoted much time lately to discussing the infrastructure. In the UK, much of the hostility to privatising British Rail rests on the idea that it is government's job to think through the relationship between rail and road. At this rate, even such matters as the modernisation of the UK's telephone network could become issues of public policy.

If so, there is trouble ahead. In particular, the industry regulators – Oftel, Ofgas and the rest – are already looming large in the public consciousness. Their powers are only tolerable because they are specifically limited to questions of competition and efficiency. If responsibility for public policy were added on top, the already vexed question of who regulates the regulators would become clamorous.

Finding a solution would be equally difficult. From the regulatory framework downwards, the whole structure of the privatised utilities expresses the political dogma of a decade ago. It now seems the dogma may be changing. The structure is not built to change with it, nor was it meant to be. Privatisation enthusiasts everywhere, take note.

How the French fought to save the franc

William Dawkins and David Buchan tell the tale of how the government's financial team managed to thwart the markets



A few yards beneath the helipad on the roof of the high-tech structure that houses the French finance ministry is the office of Mr Thierry Aulagnon, chief adviser to the minister.

Mr Aulagnon, one of the brightest financial brains in the French administration, is at his computer screen, gloomily watching the value of the franc, stuck near the bottom of its permitted rate in the European Monetary System (EMS). The screen tells him that the franc is continuing to wilt under the heaviest speculation on record, despite the large sums being spent on intervention by the Bank of France.

It is late afternoon on Tuesday, September 22, two days after France's narrow vote in favour of European monetary and political union. Mr Aulagnon is aware that failure to turn back the speculators would be a disaster for an already weak government.

Every 15 minutes, the Bank of France telephones to tell Mr Aulagnon that it has bought another billion francs or so of its own currency in an attempt to thwart the speculators. As dealing rooms across the world continue to bet on a devaluation, the screen beeps intermittently, breaking the calm of Mr Aulagnon's carpeted office. "It was my worst moment," he recalls. By the end of the seven-day crisis on September 23, the French central bank had bought FFr160bn (£19.6bn), its biggest-ever intervention.

That Tuesday afternoon, Mr Aulagnon could not have felt more alone. His inexperienced young boss, Mr Michel Sapin, 40, who was promoted from junior justice minister to finance minister only last April, was closeted in a Washington hotel room with Mr Jacques de Larosière, governor of the Bank of France, and their German counterparts, Mr Theo Waigel and Mr Helmut Schlesinger. There, they negotiated the Franco-German support for the franc/D-Mark parity that in the end foiled the markets. Until then, Mr Sapin's best-known contribution to his country's finances had been his collection of antique coins.

Today, the French government is confident enough to tell the tale of how the battle for the franc was won. Mr Sapin and his team claim they never doubted that they would pull it off. "People told us that the market is always right. But we saw no reason why the franc deserved to be devalued, in terms of economic fundamentals. It was total determination, total – from the finance minister, to the prime minister and the president," says Mr Aulagnon.

But at the time, the markets did not see it that way. Traders found it hard to believe that a currency which was effectively devalued five times in the 1980s could survive unscathed the September currency crisis. So how did the finance ministry keep its head?

Mr Aulagnon recalls that "a shadow fell across the franc" from the moment of the Danish vote against the Maastricht treaty in early June, followed by President François Mitterrand's decision to call a referendum. Throughout July and August, it weakened steadily against the D-Mark.

'A shadow fell across the franc' from the moment of the Danish vote against the Maastricht treaty in early June

The battle began in earnest at lunchtime on Thursday, September 17, the day after sterling and the lira were forced to leave the exchange rate mechanism of the EMS. Officials expected the franc to be next in the firing line, if only because nobody knew what the result of the referendum would be on the coming Sunday.

In afternoon dealings in Paris and morning trades in New York, the franc's previously gentle decline suddenly accelerated, until it hit FFr3.4250 to the D-Mark, still a fraction above its permitted floor of FFr3.4305. But that was close enough to alarm a French government committed to intervening voluntarily before EMS rules obliged it to do so.

By Friday evening the Bank of France had bought FFr56bn of its own currency, borrowing heavily from the Bundesbank and commercial banks, but had failed to shift the rate significantly. It had even begun to spend its own reserves. "We tried not to panic, to learn a lesson from the British and Italian experience," said Mr Aulagnon. Even so, Mr Sapin was worried enough to delay by a nearly a day his departure to Washington for a meeting with the other finance ministers of the Group of Seven leading industrialised nations.

Finally, on Friday evening, he left for the US with Mr Jean-Claude Trichet, director of the Treasury, and Mr de Larosière. Mr Aulagnon was left in charge of an emergency team in Paris. Over the Atlantic, the trio prepared plans for defending the franc in the event of a No or a narrow Yes in the Sunday referendum. In either case, German political support would be needed.

By Sunday afternoon Washington time, Mr Aulagnon was able to relay to Mr Sapin that the French result was a narrow Yes and that the franc was therefore likely to come under worse attack. Mr Sapin and Mr de Larosière opened negotiations with their German counterparts the next day.

Back in Paris, Mr Aulagnon was surprised as the franc, contrary to expectations, recovered against the D-Mark to FFr3.3850 in off-market trading on Sunday night. But by Monday morning, his worse expectations turned out to be true and the franc slammed back down to FFr3.4250.

Chaos broke out on the markets for the next two days, while the Franco-German teams in Washington finalised – in English, their only common language – the complex details of co-ordinated intervention by their central banks. Meanwhile, the Bank of France continued to hold the fort.

It was not until 2am on September 23, that an exhausted Mr Sapin made it back to the finance ministry in Paris, bearing a Franco-German statement that the franc/D-Mark parity would be defended, and the secret details of a public promise by the Bank of France and the Bundesbank to intervene "massively". Mr Sapin went into a two-hour meeting with Mr Aulagnon's team, at which they discussed how to present the deal.

At 8.15am a rise in French official interest rates flashed across the Reuter screens, followed five minutes later by the joint statement. At 8.30am Mr Sapin announced the deal. The finance ministry held its breath as the Bundesbank began, for the first time, to intervene. It was not until the afternoon that Paris received its reward, as the franc started to recover, to FFr3.40 in early New York trading. The rise prompted relief in the French finance ministry.

"Since then, things have gone on improving," says Mr Aulagnon. At that moment, his screen beeps from the other side of the room. Mr Aulagnon saunters over to check, with an air of perhaps overstudied calm. "I always thought we would win," he repeats. "But even so, I wouldn't want to go through that again."

Mr Aulagnon may get his wish. But the continuing turbulence on the foreign exchange markets, which yesterday saw the franc fall to FFr3.38, suggests that more battles could lie in wait.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Impulse for recovery programme

From Sir Arthur Knight.

Sir, In a lecture in London on November 11, Rudi Dornbusch of Massachusetts Institute of Technology suggested that in the absence of effective EC-wide policies, Franco-German co-operation offers the best hope of getting "actual decisions"; that issues concerning the former Soviet Union should take priority; and (in response to a question) that as a first step there should be an approach to Moscow.

The object of the approach would be to offer a substantial cash sum (to be provided by the Japanese) in exchange for the return to Japan of the Kurile Islands; firm undertakings (endorsed by the parliament) to act effectively to deal with fiscal and monetary problems; and to get on quickly with privatisation.

That might seem a good way to strengthen the prospects for the "joint recovery programme" of which Edward Mortimer writes (Foreign Affairs, November 18). Apart from political and security considerations, the early consideration of such a programme is surely justified by the impulse to growth which it could provide worldwide at a time when other prospects are lacking?

Arthur Knight,
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Frustrations face those ready to 'seize' business opportunities

From Ms M E A Blackburn.

Sir, I read with a mixture of interest, frustration and total amazement your article ("Major will urge business to seize opportunities", November 16) regarding the direct appeal made by John Major to "British industry and business to seize the opportunities on offer, as the government steps up its efforts to create economic confidence", in his speech at the Lord Mayor's banquet.

My company has recently had a planning application for change of use to A3 – that is, restaurant – refused because of an objection by the National Rivers Authority on the grounds that "the development would increase unsatisfactory discharges of sewage to the aquatic environment because of the inability of the Heswall Sewage Treatment works and storm sewage overflows to cope satisfactorily with existing flows of sewage to the public system."

Our development would invest some £150,000, employ in excess of 20 full-time people and use the goods and services of local traders.

How is it possible to seize the opportunities on offer when the now privatised Welsh Water's published investment programme for 1990-95 does not include any improvements in this area and, as a consequence, the NRA has a moratorium for the whole of this period on any planning applications? The result is economic stagnation.

Anne Blackburn,
managing director,
Fable International,
Hallside,
Chelford,
Knutsford, Cheshire

Growth of the independent financial adviser

From Mr Kevin McBrien.

Sir, Lex's view ("Tide against agents", November 16) that life company tied agents have caused the biggest headaches in the wake of the last Financial Service Act may well be true of smaller tied agents. However, these need to be differentiated from larger tied agents, such as some of the major building societies.

These larger tied agents have not, as far as I am aware, warranted such criticism from the regulators.

I would also query Lex's statement that "the trend towards direct sales forces shows no signs of slowing". The market share I have before me shows direct sales and home services companies with a combined share of 48 per cent in 1990 and a very similiar 46 per cent at mid-1992 – an undoubtedly considerable contribution to the total market.

Independent financial advisers, however, have seen their business increase substantially and their market share go ahead from 32 per cent to 36 per cent at end-June 1992.

These figures exclude executive and group pensions business for which there is little reliable data, but their inclusion would have emphasised the trend towards independent advice rather than diminished it.

Although my company deals exclusively through independent financial advisers, none of the above should be construed as a criticism of properly constituted tied agents or direct sales forces. I believe that each channel, properly controlled, has its own considerable part to play.

But I do not subscribe to the view that the trend towards direct sales forces shows no signs of slowing. It seems on the data that the feature of the last couple of years, if anything, is the growing significance of independent financial advice.

Kevin McBrien,
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Kenneth Clarke's message on Bosnian refugees must be reversed

From Ms Sarah Spencer.

Sir, What kind of statement does Kenneth Clarke think he is making to the rest of the world when he denies entry to Bosnian refugees stranded on the Slovenia border ("Furore grows over Bosnian refugees", November 18); when he requires them to obtain visas, knowing that they cannot reach the towns where consular facilities are available? It can only be that Britain is uncharitable and illiberal, unwilling to shoulder its international responsibilities and share its peace and relative prosperity with those who are manifestly less fortunate.

No wonder the foreign secretary feels that his authority on the world stage has been undermined.

Of more lasting damage, however, may be the message Mr Clarke is sending to the British people that Britain is for the British, that Bosnian refugees are undesirable, an unacceptable burden, outsiders who should not be allowed to share our way of life.

If Mr Clarke rests his closed door policy on fears of an anti-refugee backlash from the far right then he should be aware that he is playing into their hands. He cannot counter their arguments by singing their song. The message he projects must be reversed: that refugees need not be a burden but an asset. In the short term they need our help. In the long term, if they stay, they will contribute to the economic prosperity and cultural diversity of our nation as generations of refugees have done before. The German Interior Ministry has belatedly launched a publicity programme of this kind. The Swedish government has for many years provided Swedes with positive information about people who have moved to live in that country.

The extraordinary humanitarian efforts of agencies like Alert demonstrate a generosity of spirit from which Kenneth Clarke has much to learn. But opening the doors would not be enough. We must tell the British people not only that this is the right course of action for Britain to take but that both internationally and domestically, it is in our interests to do so.

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OBSERVER

Out of the frying pan

■ For all the warmth Norman Lamont's Autumn Statement has won him on the Tory backbenches, there are murmurs that he may still be on the slide. Indeed, some say the success itself will make it easier for him to accept a "dignified" transfer.

True, the chancellor will have none of it, telling friends he has a personal assurance from John Major that he's safe in the Treasury. But that has not stopped Westminster's favourite game.

One suggestion is that Lamont could be moved to Defence, still a big job in a Tory government. Malcolm Rifkind would be shifted to the Home Office and Kenneth Clarke would get the keys to 11 Downing Street.

But there are other challengers for the Treasury, among them John MacGregor at Transport. Right-wing Tory MPs – unsure of Major's intentions – have begun actively to promote the candidatures of Michael Howard at Environment, Peter Lilley at Social Security and Michael Portillo, the youthful but fast-rising chief secretary.

But there is general agreement that, should the prime minister decide to shake-up his team, he has only until the second weekend in January – that's when the chancellor hosts the traditional Chevening meeting, which signals the start of serious planning for the budget.

Ah so

■ The Japanese have a new word for the state of their economy: *sokobai*. But one place where you won't hear it spoken is Nippon Syntex's immunological research centre north of Tokyo – staff there must use the translation "crawling along the bottom".

The reason is that the pharmaceuticals group has banned the use of Japanese at the centre, making English its official language instead. "We're visited by researchers from all over the world," explains a spokesman, "and we want them to feel at home."

Inquest

■ Now more than ever, the founders of a company can't be too careful when choosing its name. Take for instance Penna, the title redundancy consultants Sanders and Sidney picked last year when renaming their quoted holding company.

Checking on what it had been up to lately, a colleague consulted the FT's computer database. Up came lurid tales of suicides, fire deaths and drug overdoses.

The inquest shows that a certain totally unrelated Colin Penna is a coroner in north-east England.

Newcastle bound

■ Sunderland on the River Wear, has long been engaged in rivalry with neighbouring Tyneside. The dispute has normally centred on football but now Wearsiders have a new reason to feel a little sore about their rivals on the Tyne.

Nissan's announcement yesterday that it is moving the export of its Sunderland-made Primeras and Micras from Teesside to the Port of Tyne, rather than the port of Sunderland, is a matter of some regret for Wearsiders, but not entirely unexpected.

Much more wounding is the realisation that this means Nissan's newest car-carrying ship, named City of

"He's bottom of the class in the school at the bottom of the league"

Sunderland only this month in honour of the city where Nissan's UK car plant is based, will from 1994 be plying in and out of the Tyne, bearing Sunderland-made cars.

Nissan, however, is aware of Wearsiders' sensibilities about the neighbouring Geordies. "It won't go to the Port of Tyne before it's visited Sunderland on its maiden voyage," promises a Nissan spokesman.

Revving up

■ "An ace in the Avvocato's new hand of poker" was how one Italian paper described Giorgio Garuzzo after this week's management shake-up at Fiat.

The "Avvocato" is, of course, Gianni Agnelli, the grand old man of Italian business who steps down from the Fiat presidency in 1994.

Aside from naming his brother Umberto as his successor, the Avvocato has kept everyone guessing as to the future shape of the management team. By being given the new post of chief operating officer with control over all industrial operation, the 54-year-old Garuzzo has been fingered as the man most likely to take over as chief executive officer from Cesare Romiti.

At 69, Romiti is two years younger than his boss but is expected to leave either with him or before him. Umberto Agnelli at 57 is of a different generation and is personally closer to Garuzzo.

With Fiat since 1976, Garuzzo's career conforms to the classical image of a modern industrial manager in northern Italy. In 1984 he was chosen to run Iveco, the commercial vehicles group.

He joined the "*nomenklatura*" in 1989 when he was promoted to be president of Fiat Auto, replacing Umberto Agnelli.

Baht that

■ The real name of Sia Song, the dapper 35-year-old speculator at the centre of this week's turmoil on the Thailand stock market, is Song Watcharasriroj. Sia is a nickname meaning "tycoon", as he reminded everyone by publicly producing Bt10m (£260,000) in cash for his bail.

It was twice as much as required.

Tailpiece

■ True to the spirit of Premier Major's citizen's charters, the National Canine Defence League has produced an equivalent spelling out the rights of dogs.

Rail travellers reading it will see its provisions are more in line with what actually happens than British Rail's charter for passengers. One of the boons it bestows on the animals is the right to be neutered.

FINANCIAL TIMES
Friday November 20 1992

Dumping duties anger E Europe

Our Foreign Staff on the reaction to Brussel's decision on steel imports

THE European Commission's decision to impose anti-dumping duties on seamless steel tube imports from Croatia and three central European countries with which Brussels has signed association agreements has provoked anger in the affected countries.

By imposing the highest duty, 30.4 per cent, on Czechoslovakia the commission clearly identified what it perceives as the main offender. But Mr Vladimir Petr, director of the metallurgical department of the Czech Ministry of Industry, questioned the Commission's figures and said the case for dumping was "not proven".

The point was made more forcibly by Mr Philip Toor, managing director of Future Steel trading, a principal UK importer of Czechoslovak steel. "Prices on west European markets are determined by EC producers undercutting each other against the backdrop of a 19m-26m ton surplus steel capacity among EC producers.

"East European exporters are still far too small to be market makers. They are just a soft target for EC producers anxious to cut down the competition."

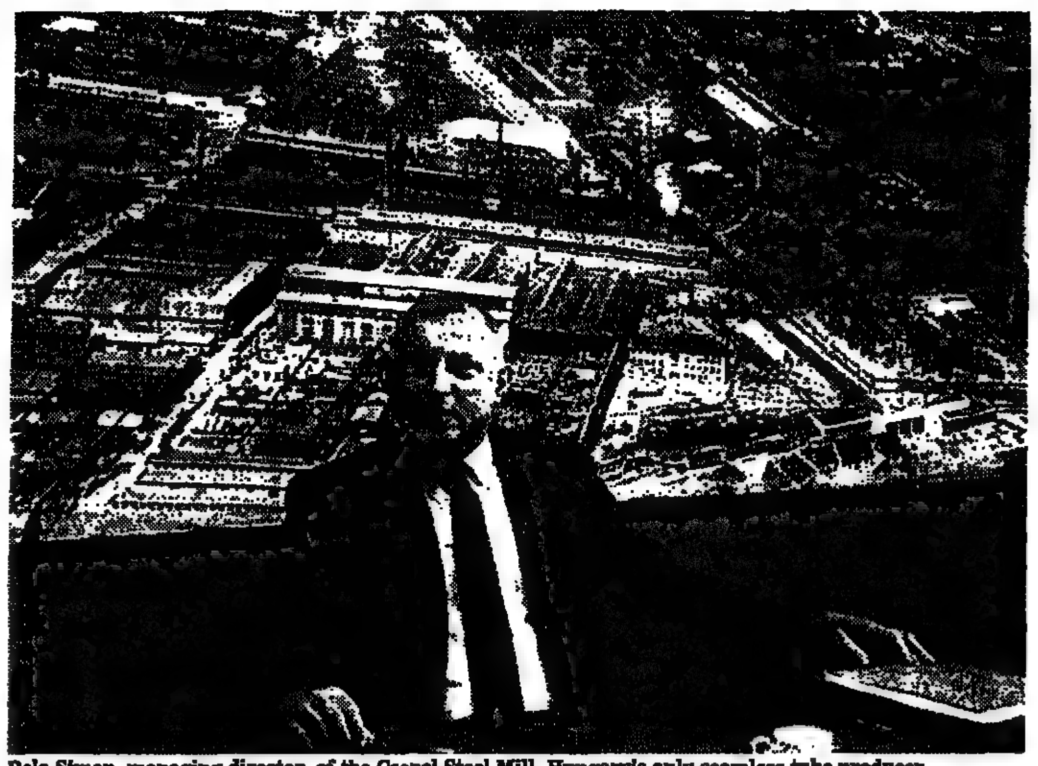
Producers and traders are not alone in criticising the latest protectionist move against steel products, one of the three east European products, along with textiles and foodstuffs, which are subject to special treatment because of EC sensibilities.

Mr Jim Rollo, an east-west trade specialist at the Royal Institute of International Affairs in London, said: "The latest dumping duties appear to have been imposed using the old criteria, applied when all prices in the former centrally planned economies were artificial. Eight months after the the EC signed association agreements with Czechoslovakia, Hungary and Poland which apparently liberalised the steel trade we see the Community being bloody-minded at the first hurdle.

"If they do this for steel now what will they do for electronics imports in future?" he asked.

According to the Commission, east European pipe exports have risen from 7.8 per cent of the market in 1988 to 18 per cent this year, contributing to the closure of 11 EC tube mills over the last two years. The value of Czechoslovakian tube exports to EC markets rose from $26m in 1989 to $45m last year and $59m over the first nine months of this year.

While most exports have come from Czechoslovakia and Poland, Hungary, a relatively small producer, incurred the second highest duty, at 21.7 per cent. The Hungarians are particularly incensed at this latest example of what is seen as the EC's tendency to talk grandly about helping central Europe while hobbling those industries with the greatest trade potential.



Bela Simon, managing director, of the Csepel Steel Mill, Hungary's only seamless tube producer

Mr Bela Simon, the managing director of Hungary's Csepel Steel Millsays his country's problems with the commission are caused partly by private traders who buy cheap Czechoslovak pipes and sell them in Hungary and in EC markets.

East European competitiveness results from a mix of factors – wage rates around 10 per cent of western levels, undervalued currencies, cheap energy and raw materials from the former Soviet Union, and the collapse of domestic demand and inter-Comecon trade. But circumstances are changing. Energy costs are rising and the cost of iron pellets from the Ukraine is likely to increase.

This leaves cheap labour and a desperate need for higher exports as the main driving force behind higher sales to a European Community whose own future exports to the region depend on an export-led recovery in east and central Europe – which the latest anti-dumping measures contradict.

Reporting team: Vincent Boland in Prague, Christopher Bobinski in Warsaw, Nicholas Denton in Budapest and Anthony Robinson in London

THE LEX COLUMN

Message from Mercury

It is hard to quibble with Cable and Wireless's interim figures. Even allowing for wrinkles such as the £12m made from interest rate swaps, the company for once seems to be firing on all cylinders. Cost control and volume gains produced useful progress in Hong Kong and a dramatic turn of speed at Mercury. Those cynics who thought Mercury may have been polished vigorously for sale should have their suspicions calmed by the subsidiary's 29 per cent increase in turnover.

Yet with the good news already out, the shares may find it hard to push much higher. C and W's premium to the market is getting close to a five year low; price competition with BT may intensify, and the business climate in Hong Kong could scarcely be more favourable than it is at present. As the chairman acknowledges, the telecoms market worldwide is moving towards lower margins and the company will have to manage its way through that change.

Having sold 20 per cent of Mercury for cash, the right investment opportunities must now be found to replace that growing profits stream. The rapid evolution of the telecoms market will generate plenty of deals. Yet only deregulation of the European market is likely to demand large amounts of cash, and competition for contracts will be fierce everywhere. It is worth remembering that C and W's past success has more often flowed from exploiting its existing franchises than winning bidding wars.

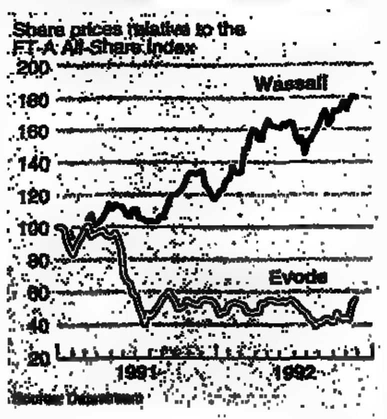
Euro Disney

Perhaps Euro Disney's "Imagineers" should be called in to build a fairy tale set on which investors feverishly purchase the company's own shares. The reality – witness yesterday's heavy turnover in which 1 per cent of the stock changed hands and the priced sagged a further 7 per cent – is continuing stock market disenchantment with this Mickey Mouse venture.

One might almost feel sorry for the company if it had not been so complacent in the first place. After all, the combination of a nominal dividend and the deferral of Walt Disney's base management fee is a sign that management is now desperately trying to please.

The 3.2 per cent prospective yield, though, is of little serious help in valuing the shares. In the absence of a reliable earnings stream even the soothing words about record attendances for a Disney start-up may not silence the bears. Recent assurances about the high proportion of British visitors, indeed, seem rather less convincing in the context of sterling's depreciation. The best hope for the shares is that most of the weak holders have now been shaken out. But a stock like Euro Disney, bought by the professionals for short term trading, is always going to test the nerves of small shareholders clinging on for the long term ride.

FT-SE Index: 2705.2 (+2.2)



Evode

Wassall's bid for Evode emphasises that there are plenty of reasonably sound companies trading at rock-bottom prices. With turnover in small company shares so low, some degree of mis-pricing might be expected. Yet although it is hard to believe that Evode was fairly valued at 58p a share before the market caught scent of a bid, potential bidders are thin on the ground. Lower interest rates might normally be expected to stimulate debt-funded takeovers. But the walking wounded from the debt binge of the late 1980s – including Evode – are a grim reminder of the consequences of paying too much at the wrong time.

Evode could certainly use an injection of capital. Gearing at the last balance sheet stood close to 200 per cent if the convertible preference shares are counted as debt. The dividend has been cut and capital expenditure pared back. The company could hardly ask shareholders for cash by way of a rights issue without offering a human sacrifice. Little wonder the incumbent management has avoided such a route. Disposals have helped, but that route leaves Evode selling assets under pressure at the bottom of the cycle. In this context, Wassall's plan to use its stratospheric multiple to raise capital looks good sense.

Whether Wassall's opening shot is enough is another matter. On a multiple of operating cash flow, something closer to 100p a share might be a fairer price. Wassall might legitimately argue that 100p would be an over-generous premium over the pre-bid price. If it walks away with Evode for much less, the market can hardly complain.

Germany

The alarming feature of Daimler-Benz's nine-month figures is the sheer speed of the downturn since the summer. Even at the six month stage in June the company was predicting an improvement over the full year. The worst of the damage has come in cars and trucks. Mercedes sold 15 per cent fewer cars in its home market during the third quarter – a sure sign that the reunification bubble has burst. By promising to cut 10 per cent of its workforce over two years, Daimler-Benz is striking a tough posture. The worry is that German companies are behind the international competition with their house-keeping. The 2,000 redundancies announced by BASF yesterday look like a company getting to grips with costs, but ICI was at a similar stage in 1991.

Blue Circle

Blue Circle's June rights issue and the accompanying purchase of French boilermaker Celsius now look to have been badly timed. The shares stand at a 25 per cent discount to the ex-rights price. Yesterday's announcement of a 15 per cent reduction in the company's cement manufacturing capacity, however, looks to be the right decision. Given the surfeit of houses and offices washed up by the building binge of the late 1980s, the chances of general economic recovery feeding through to construction in the next year or so remain remote.

Blue Circle's action goes some way towards restoring the cement market's equilibrium while leaving a little slack for an upturn when it comes; it also improves the chance that next year's dividend will be maintained. Investors, though, may not be ready to give the new managing director the benefit of the doubt just yet. Yesterday's development may be better news for Rugby.

Britain remains in grip of recession

By Emma Tucker and Peter Norman in London

THE RECESSION maintained its grip on Britain in the three months to September, making it the ninth quarter of flat or falling output in a row.

But while the latest official figures showed no evidence of recovery, they are unlikely to trigger any further easing of policy in the near future.

Gross domestic product, excluding oil and gas production, dropped by 0.3 per cent compared with the previous quarter, and was 0.8 per cent lower than the same quarter a year earlier, according to provisional seasonally adjusted figures from the Central Statistical Office.

The CSO reported that overall third-quarter GDP was unchanged compared with the three months to June, reflecting a sharp 8.7 per cent rise in oil and gas extraction. Compared with the same period a year ago, GDP fell by 0.7 per cent.

The Treasury said the figures were in line with its recent Autumn Statement forecasts of a 1 per cent drop in economic output for 1992 as a whole. The forecast, published last week, implies another big fall in GDP in the fourth quarter.

CSO figures show that total GDP has fallen by 4 per cent since the recession started two years ago.

Treasury officials said the latest figures were of limited value in assessing present economic conditions, because they mainly reflected conditions before the government relaxed monetary policy. Since Black Wednesday on September 16 there have been three base rate cuts and a large sterling devaluation.

The Bank of England, which highlighted the problem of debt deflation in its latest quarterly bulletin yesterday, is understood to have advised the government to wait and see how the lower interest rates and last week's fiscal measures affect inflation and activity before considering whether to cut base rates further.

Gatt negotiators hopeful of agreement on oilseeds soon

By David Dodwell in Washington and David Buchan in Paris

TRADE NEGOTIATORS from the US and European Community yesterday claimed there was "a serious chance of making a deal" on the EC's oilseeds subsidy regime.

The optimistic comments came as talks resumed in Washington aimed at averting trade war and breaking the logjam in the Uruguay Round of world trade reforms.

But the mood behind the scenes was less optimistic. Observers said negotiators about the General Agreement on Tariffs and Trade had parted after a 2½ hour "jet-lag" session on Wednesday night, still far apart on critical issues. Differences included:

- A significant gap between proposed US and EC ceilings on oilseeds production.
- Whether oilseeds grown for industrial use on set-aside land should be included in the deal.
- EC refusal to accept a formal or binding enforcement mechanism to ensure corrective action and compensation if EC farmers overshoot output ceilings.

As the negotiators restarted talks, Mrs Carla Hills, US trade representative, said both sides had made "good progress" in initial discussions. She wanted, above all, to be able to announce agreement by the time talks were scheduled to end last night, she said.

Elsewhere, tempers flared. Some 300 French farmers burnt the US flag and hurled fireworks over police lines barring them from the US embassy in Paris.

Twenty police were injured in the clash, intended to put pressure on the EC "not to allow the US to step on our feet and sacrifice European and French agriculture".

In Washington, Mr Steve Yoder, American Soyabean Association president, and a leading lobbyist against the EC oilseeds regime, said he was "disgusted" by the French farmers:

Mr Jean-Pierre Soisson, French agriculture minister, said his country would not be mollified by any US concessions in the non-farm aspects of the Gatt talks into accepting what it saw as a bad farm trade deal.

In spite of the demonstrations in Paris, President François Mitterrand is keeping his counsel on whether to invoke a last-resort veto of a deal in Washington.

"This [the Gatt] is one of the hardest dossiers I have had to deal with since 1961," he was said to have told his cabinet. Mr Mitterrand fears an EC crisis if he vetoes a Gatt deal, and a domestic crisis if he does not. Mr Soisson said yesterday that entual French veto in the EC Council of Ministers was for the president to decide.

Mr Soisson said that while France wanted progress in the Gatt areas of services, market access and copyright protection, it would not be bought off by concessions.

UK businesses shed jobs

Continued from Page 1

the severe and continuing recession afflicting the industry.

- 200 redundancies at Eagle Star Life among clerical staff.
- 390 job losses at National Westminster Bank and its subsidiary Lombard North Central because of "continuing recession".
- 5,000 jobs from its workforce of 138,000 over the next four months at British Rail in an attempt to bring costs into line with what it called a "massive" drop in revenues.

The job losses, most of which BR hopes will be voluntary, will fall upon management and administrative staff as well as blue collar workers. BR blamed the cuts on recession, saying latest forecasts for the year to next March pointed to a £400m loss of revenues from its passenger and freight businesses. Turnover in the previous year was £3.2bn.

BR also warned of further cuts, in the next financial year and probably beyond, putting part of the blame on the "tight" financial settlement imposed on the railway in the Autumn Statement. The Department of Transport said the statement had left BR £230m better off in cash terms over the next two years. Rail services were no more immune than others from the effects of recession, it said, and this was a commercial decision taken by the BR board.

BR said income from its InterCity and Network SouthEast operations were expected to be at least £100m lower than forecast this year, and its profitable Trainload Freight business had lost income in all sectors because of the effect of recession on its biggest customers.

On current forecasts, customer receipts in the year to next March would be 14 per cent down on the 1988 level, and costs had not come down at a similar rate.

In the past two years, BR has increased employee numbers by almost 4,000, partly in response to increased safety spending in the wake of the Clapham rail disaster.

Recession

Continued from Page 1

rently employed by the group.

Germany's leading companies have long felt some effects of international recession.

However, now they have now been hit by a domestic downturn at precisely the point they expected overseas business to start improving.

Daimler, which also encompasses Deutsche Aerospace, the German partner in the European Airbus group, and electricals giant AEG, last weekend forecast that full-year 1992 profits would drop by almost 25 per cent.

Mr Gerhard Liener, group finance director, said in London yesterday that he expected no improvement on this year's DM1.5bn profits during 1993, and warned that the result could be even worse.

The main bright spot yesterday was an 11 per cent increase in Mercedes car sales in the stagnant US market but this was not enough to offset a 15 per cent slump in home sales.

World Weather

		°C	°F
Ajaccio	S	17	63
Algiers	F	20	68
Amsterdam	F	8	46
Athens	C	17	63
Bahrain	S	24	75
Bangkok	F	33	91
Barcelona	S	18	64
Beijing	S	5	41
Beirut	F	26	79
Belfast	C	3	37
Belgrade	S	9	48
Berlin	F	6	43
Biarritz	R	13	55
Bombay	S	32	90
Bordeaux	Dr	15	59
Boulogne	S	10	50
Brussels	F	8	46
Budapest	S	7	45
Buenos Aires	F	24	75
Cairo	S	24	75
Cape Town	R	15	59
Caracas	F	28	82
Casablanca		–	–
Chicago †	C	4	39
Cologne	C	8	46
Copenhagen	S	7	45
Corfu	F	16	61
Dallas †	C	16	61
Dublin	F	6	43
Dubrovnik		–	–
Edinburgh	S	7	45
Faro	S	19	66
Florence	S	11	52
Frankfurt	R	6	43
Geneva	C	8	46
Gibraltar	S	21	70
Glasgow	C	6	43
Helsinki	R	2	36
Hong Kong		–	–
Innsbruck	R	2	36
Inverness	S	7	45
Islamabad	R	13	55
Istanbul	F	18	64
Jakarta	R	32	90
Johannesburg	T	12	54
Lisbon	C	17	63
London	S	9	48
Los Angeles †	S	12	54
Luxembourg	F	7	45
Madeira	C	19	66
Madrid	S	13	55
Majorca	S	19	66
Malaga	S	20	68
Malta	F	17	63
Manila	C	32	90
Melbourne	F	20	68
Mexico City	C	20	68
Miami †	C	23	73
Milan	S	10	50
Montreal †	F	-8	18
Moscow	R	3	37
Munich	R	8	46
Nairobi		–	–
Naples	S	14	57
Nassau	C	27	81
New Delhi	S	25	77
New York †	S	1	34
Nice	S	15	59
Nicosia	F	22	72
Oporto	F	15	59
Oslo	R	3	37
Paris	F	11	52
Prague	R	6	43
Reykjavik	F	-2	28
Rhodes	F	22	72
Rio d'Janeiro	C	28	82
Rome	S	15	59
Salzburg	R	4	39
S'Francisco †	F	13	55
Seoul	R	11	52
Singapore	T	26	79
Stockholm	C	1	34
Strasbourg	F	11	52
Sydney	S	24	75
Taipei	F	26	79
Tangier	C	18	64
Tel Aviv	S	31	88
Tenerife	F	22	72
Tokyo	C	17	63
Toronto †	S	-7	19
Tunis	R	16	61
Valencia	S	20	68
Venice	S	10	50
Vienna	C	4	39
Warsaw	R	4	39
Washington †	C	6	43
Zurich	C	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

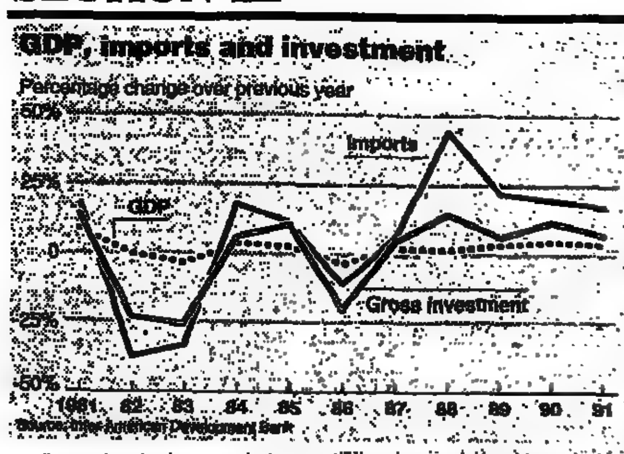
هكذا أصل الأصل

FINANCIAL TIMES SURVEY

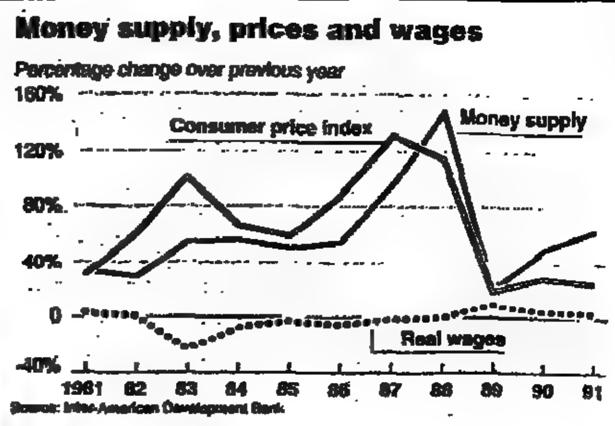
MEXICO

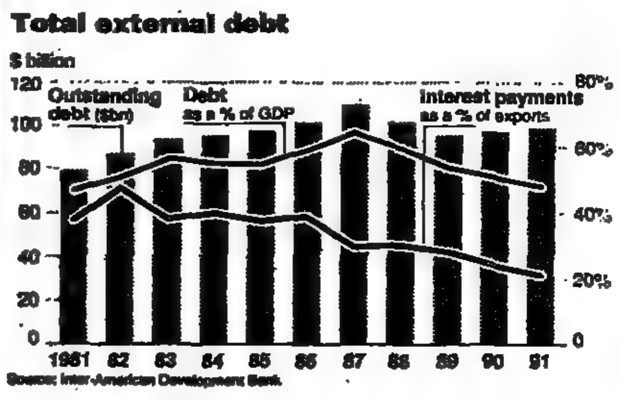
SECTION III

Friday November 20 1992



President Salinas: his reforms have transformed an inward-looking economy into a market-responsive one





IN THIS SURVEY

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Long road to political reform

President Salinas wants a place in history for setting Mexico on the way to long-term growth. But the country is not yet a democracy, nor an industrial powerhouse, writes Stephen Fidler

ACCORDING to Mexican tradition, the power of a Mexican president begins to ebb in the fifth year of his six-year term. Often his popularity begins to weaken. In some cases the president makes a last-ditch desperate bid for popularity or for a place in history.

President Carlos Salinas, who underlined this month his government's commitment to fiscal austerity for the coming year, does not come across as someone likely to buy popularity for himself at the longer-term expense of the country. But he wants his place in history as the man whose bold reform programme set Mexico on the road to long-term growth. Building on the changes set in train by his predecessor, President Miguel de la Madrid, the Salinas economic reforms have changed Mexico from an inward-looking economy dominated by government subsidy to an open, more market-responsive one.

The reforms are widely viewed as a model for others. Economic policy has been been consistent, well-designed and well-executed. It has confronted difficult issues such as the reform of agriculture. Though highly conservative fiscally, the government says its policy has allowed it to increase social expenditures significantly.

Yet inevitably, because such things take time, the economy is still adjusting to the reform process, while the country's political system has yet to accommodate its implications. The glue that held the old corporativist system together has been irretrievably loosened, but there is no clear vision yet of what will replace it. Mexico is not yet a democracy; neither is it a manufacturing powerhouse. Mexico may become both of these things, but the passage between where the country stands today and these two desirable objectives may be less than smooth.

This possibility has been brought home to the government over the last year on both the political and economic fronts.

Mr Salinas has long given the impression that his vision of the way forward for Mexico's economy is clearer than his idea for the country's political future. But protests, led by the left of centre Party of Democratic Revolution, following elections for a handful of state governorships this year, have pushed political reform to the front of his agenda.

The protests forced the resignations of governors from the ruling Institutional Revolutionary Party (PRI) after what is widely held to have been presidential intervention. From the government's point of view, the protests and resignations have had several undesirable consequences: they have weakened the credibility of the political system, weakened the PRI internally and increased dissatisfaction with Mr Salinas within the party, and they have provided the PRD with a way of gaining political influence without winning votes.

The government had already, in its earlier reforms, improved the electoral processes. The further reform that it plans to pass into law in the second quarter of next year will attempt to reduce the electoral bias in favour of the PRI that arises partly out of its ability heavily to outspend its opponents.

The opposition will agree to this, but Mr Salinas may be worried about again alienating the PRI. He says he wants further reform of the ruling party, but clearly he also wants to avoid so weakening it that there is a risk it might lose the 1994 presidential election.

"The PRI is in very bad shape and the problem is not just cosmetic. The political system is not working for anybody any more," says Mr Rolando Cordera, a political analyst.

According to Mr Salinas, the process of reforming the PRI "hasn't finished and will have to go further". The party needed to produce political proposals and an ideology, so that people would know what it stood for. Internal restructuring of a 50-year-old organisation was necessary, the way the party financed itself had to be transformed; and there needed to be advances in the way candidates were chosen.

However, in spite of the party's internal strife, Mr Cordera believes the PRI candidate will win the 1994 election. "The PRI is not ready or willing to lose the next presidential election and I think they are not going to lose it unless they face a very profound internal crisis," he argues. Mr Luis Alvarez, president of the National Action Party (PAN) agrees, if for different reasons: "If the process were truly democratic, we'd be able to win in 1994. But I think in 2000, it's a practical possibility."

On the economic front, a sharp rise in the current account deficit, caused in part by strong pent-up demand for imports after a decade of austerity, has provided a cause for government concern. It has raised questions about the capacity of the economy to sustain significant per capita growth without sucking in unsustainable levels of imports. This year, to ensure a continued flow of finance into the country, the government was forced to push up interest rates, thereby slowing growth.

To many economists, the size of the deficit – equivalent to 6 per cent of GDP this year – strongly emphasised the need for further structural reform in the Mexican economy. While the government has continued to emphasise fiscal stringency – it is predicting another government surplus next year – this has not been sufficient by itself to make the economy competitive.

"The government has done well in public finances, and a good job, by and large, on privatisation, but on deregulating the economy there are a tremendous number of things still to be done," says Mr Jonathan Heath, chief economist at

Continued on Page 6

Stephen Fidler says that 1993 will put the Salinas economic policies to the test

Deficit sends warning signal

THE COMING year will provide a severe test for the economic policies of the Salinas administration. With two years of the presidency of Mr Carlos Salinas left to run, the euphoria over Mexico's profound economic reforms has begun to abate. Economic growth has slowed and a more sober vision of the future has settled over financial markets and business.

The warning signal has been raised by a current account deficit significantly exceeding the government's earlier forecasts. Extraordinary measures – including deliberately contrived customs delays at the border – may keep the deficit this year just below $20bn, at 6 per cent of gross domestic product, compared with $13.3bn in 1991.

The government's arguments about why this should not matter are well rehearsed: its budget surplus means that the deficit is entirely a private sector phenomenon; that big inflows of capital are driving the current account deficit, not the other way round; and that much of the deficit is due to imports of capital goods which will eventually expand the economy's productive capacity.

While these arguments were largely accepted in 1991 as reserves expanded because of big capital inflows, the 1992 capital influx has appeared more uncertain.

"Last year, the government could argue that the current account was caused by big capital inflows. That doesn't explain why the current account deficit this year will be significantly higher than last year's, while capital inflows have been more hesitant," says Mr Jonathan Heath, head of Macro Asesoria Economica, an economic forecasting group in Mexico City.

Some government officials now admit that the sustainability of the financing is an issue. In the end, the capital account surplus will by definition equal the current account deficit, adjusted for changes in reserves. But, given that a substantial portion of the capital inflows are short-term in nature, a sharp loss of confidence for whatever reason would trigger outflows of funds and risk economic dislocation until a new balance of payments equilibrium is found.

"The current account deficit is of concern to us because it is of concern to the financial markets," says one official. The government calmed one such bout of financial uncertainty last month by a shift in exchange rate policy.

Over time, the new policy will widen the band of possible valuations of the peso against the US dollar. Prior to October, the maximum rate of daily devaluation had been 20 centavos a day, an annual 2.3 per cent. The new policy doubled the maximum possible rate of devaluation, but left the ceiling on the peso's value unchanged at 3,056 to the dollar.

The band of possible values for the peso will thus widen to just over 9 per cent if the same policy is in place by the end of next year, from about 3.5 per cent now.

The aim is partly to increase the uncertainty facing speculators, and to encourage them to invest in longer-term instruments. The minimal fluctuations of the peso encouraged speculators to borrow at low interest rates in dollars to lend them at much higher rates in pesos.

A senior government official says that the new policy does not rule out the eventual possibility of moving to a fixed exchange rate. "This formula does not prohibit the fixing of the currency. The options are all still open."

The change should ease concerns about the effect of an overvalued currency on Mexican competitiveness, though it will not erase them. Mr Heath reckons it will halt the erosion of competitiveness: the maximum devaluation rate for the currency is just about equal to the difference between expected US inflation and his forecast for Mexico (7.6 per cent in 1993 against his expectation of 11.9 per cent this year). Productivity growth should then start to reduce the extent of the overvaluation.

If productivity is the key to future balance in the economy, then it is widely accepted that further deregulation is the key to expanding productivity.

Opinions about how far such further deregulation is necessary vary. Some economists, such as Mr Rogelio Ramirez de la O, who runs a corporate economic consultancy, believe it has to be drastic. "I don't think the supply side of the Mexican economy can support 4 per cent growth over a long period with sustainable current account deficits," he says.

The economy is thus doomed to stop-go policies unless the government buys time to improve the supply side by allowing the aggressive sale of domestic assets to foreign companies. To do this, it would have to open up the still significant areas of the economy in which foreign investment is restricted.

The government sees no such sharp dilemma, in part because of a belief that import growth will abate as the pent-up demand that followed the debt-depressed 1980s eases. They also believe that when the economy improves in the US, to which 70 per cent of Mexican exports are bound, so will Mexico's balance of payments.

The need for further deregulation is nevertheless accepted, for example, in the country's labour laws which forbid a reduction in nominal wages unless there is a business emergency. "We have inflation inertia in Mexico: wage settlements have been too high for inflation to fall faster," says a government official.

A sweeping simplification of the 1973 investment law is already planned, according to officials, which will allow 100 per cent foreign ownership of all but a few strategic industries. The government also plans legislation over the coming year to make the central bank independent.

The concern about wage inflation has been partly addressed in the latest *pacto* – the annual accord between the government, business and the trade unions which has been set every year since 1987. The October accord, which included the shift in exchange rate policy, contained a commitment that contractual wage awards should be limited to single digits in the coming year. Previous *pactos* had addressed only minimum wages.

This provided significant support for the government's single-digit inflation target for the coming year. "It's impossible to understand Mexican economic policy without understanding the importance of the *pacto*," says Mr Angel Gurria, undersecretary for international financial affairs in the Ministry of Finance.

As part of the consensus building, senior government officials meet business and union leaders every Thursday to discuss issues ranging from the competitive problems facing the machine tools industry to increases in the price of health care.

Hopes in the longer term for investment – and in particular for the stable, long-term direct investment most needed by the Mexican economy – hang on the ratification of the North American Free Trade Agreement, negotiated last year with the US and Canada.

Despite the change in administration in the US, the odds are still heavily in favour of its ratification, if only because failure to do so would so damage the Mexican economy that it would have important ramifications for its northern neighbour. In the meantime, however, the close scrutiny of Nafta in the US Congress could prove unsettling in Mexico.

In the longer term too, the government needs, as the Organisation for Economic Co-operation and Development pointed out in its first report on the country this year, to increase savings. "Unless the national saving ratio recovers, investment may ... have to be scaled back," it said.

For the year ahead, however, the government underlined in the annual budget that there would be no dash for growth. The government plans to run a budget surplus of 1.7 per cent of GDP next year, and expects growth to be a sluggish 3 per cent and inflation 7 per cent. This year growth is forecast at 2.7 per cent, and inflation at 11 per cent.

Provided that in 1994 the economy is growing faster and inflation is under control, Mr Salinas will not mind. Such is the economic backdrop he needs for the presidential elections which, one way or another, will provide the ultimate verdict on his reform programme.

The economy is doomed to stop-go policies unless the government buys time to improve the supply side by allowing the aggressive sale of domestic assets to foreign companies

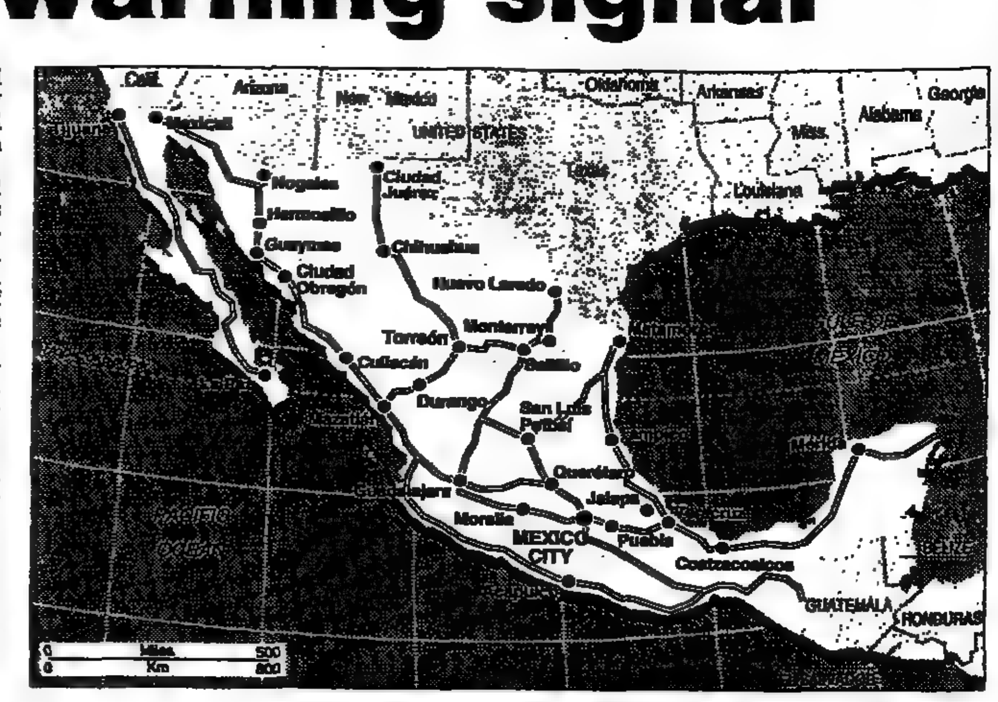
KEY FACTS

Area .... 1,972,545 sq km
Population .... 87.8 million (1991 estimate)
Head of State .... President Carlos Salinas de Gortari
Currency .... Peso (Ps)
Avrge Exchange Rate .... 1990 $1=Ps2,813, 1991 $1=Ps3,018
Exchange Rate. November 12 1992 $1=Ps3,116 £1=Ps4,739

ECONOMY	1990	1991
Total GDP ($bn)	241.4	282.5
Real GDP growth (% pa)	4.4	3.6
GDP per capita ($)	2,802	3,216
Components of GDP (%)		
Private Consumption	65.0	
Total Investment	17.3	
Government Consumption	11.0	n.a.
Exports	17.9	
Imports	-11.2	
Agriculture as % of GDP	8.9	n.a.
Consumer prices (% change pa)	26.7	22.7
Ind. wage rates (% change pa)	30.5	29.1
Ind. production (% change pa)	4.9	3.9
Reserves minus gold ($bn, Dec)	9.9	17.7
Narrow Money growth (% pa)	63.1	123.9
Broad Money growth (% pa)	75.8	49.3
FT-A index (% change over year)	+97.1	+145.1
Total external debt ($bn, Dec)	99.7	104.1
Debt service ratio (%)	29.0	n.a.
Current Account Balance ($bn)	-7.1	-13.3
Exports ($bn)	26.8	27.1
Imports ($bn)	31.3	38.2
Trade Balance ($bn)	-4.4	-11.1
Main Trading Partners (1991, % by value)	Exports	Imports
US	69.7	65.2
Japan	5.8	5.3
Spain	4.2	1.5
France	2.2	2.5
Canada	2.1	2.1
Germany	2.1	6.1

DEVELOPMENT INDICATORS	15-20 yrs ago	latest estimate
Dependency ratio*	49.9	41.0
Urban population (% of total)	62.8	72.6
Population growth rate (% pa)	3.0	1.9
Infant mort.rate (per 1,000 births)	63.8	39.2
Adult illiteracy (% aged 15+)	n.a.	12.7
Life expectancy (years)	64.3	69.7

* = % of population aged under 14 or over 65
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit.




Two of the four main contenders to succeed President Salinas in 1994: Donaldo Colosio, the social development minister (left) and Pedro Aspe, the finance minister

The race to succeed President Salinas

Four men wait for a finger to point ...

THE race to succeed President Carlos Salinas started a few days after he was elected in 1988. But with just two more years left of his presidency, competition is heating up for the *dedazo* – the "pointing of the finger" that describes figuratively the president's hand-picking of his successor, writes Stephen Fidler.

There are few doubts that President Salinas, like his predecessors, will have the final say in choosing the candidate for his Institutional Revolutionary Party (PRI) and that his choice will win the 1994 election. The *dedazo* is likely to be made late next year, though Mr Salinas may wish to postpone it to early in 1994.

Most money is on four contenders: Mr Pedro Aspe, the finance minister; Mr Manuel Camacho, the mayor of Mexico City; Mr Donaldo Colosio, the social development minister; and Mr Ernesto Zedillo, the education minister. But the president may promote others – such as Mr Fernando Gutierrez Barrios, the interior minister and Mr Emilio Gamboa, the social security minister – to increase the competition and put pressure on better-placed rivals.

Pedro Aspe

The fortunes of Mr Aspe, 42, are tied to the economy which he manages. If it is in bad shape, that would reflect badly on him as finance minister, and would draw attention to the political experience and sensitivities that Mr Aspe is seen to lack.

But if the economy picks up, he stands a good chance. He is the presumed favourite of the international finance community, businessmen, the Catholic church, and perhaps disaffected followers of the opposition National Action Party (PAN). In his four years as finance minister, he has barely put a foot wrong, engineering a successful reduction in inflation, privatisations, pension fund and fiscal reforms.

Mr Aspe has a PhD in economics from Massachusetts Institute of Technology, and is the techocrat's technocrat. There is nothing he likes more than to take out pencil and paper and explain why Mexico's current account deficit is self-financing. He speaks almost perfect English, is courteous and charming, and has successfully forged alliances with some old-style politicians, such as the agriculture and labour minister.

But the general consensus is he would be make a better president than a presidential candidate. He is aristocratic, slightly aloof, and no favourite of the party faithful, who fear he is too much of an economic fundamentalist. If elected president, he would pursue further economic and structural reform with energy and determination.

In his four years as finance minister, Pedro Aspe has barely put a foot wrong

Donaldo Colosio

The only contender to have held elected office, Mr Colosio, also 42, is seen as the compromise choice. From the northern border state of Sinaloa, he is pragmatic and down-to-earth. At weekends he can be seen riding around the village of Tepostlan on a motorcycle, a typical common touch.

As head of the PRI for three years, he would carry the party vote if nominated. But he is also presumed to share broadly the economic vision of President Carlos Salinas, and worked under him in the Budget ministry in the mid-1980s. He has a master's degree in urban planning from the University of Pennsylvania.

He scored points for managing the party's convincing victory in the 1991 elections, and is seen as a capable administrator. The head of the Social Development ministry, he has the enviable task of managing the National Solidarity programme, a $2bn-$3bn a year anti-poverty project. He travels with the president on his Solidarity tours, and may receive the implicit support of local Solidarity committees across the country.

However, very little is known about what he thinks, and he may lack the ideological vision that has characterised the Salinas presidency. He is not as sharp or articulate as some of his rivals, and is likely to be more dependent on advice when deciding policy. He has also made his share of errors, deciding for example to select a wealthy pig farmer, Mr Eduardo Villasenor, as the PRI candidate for the recent governorship elections in Michoacan. Mr Villasenor was later forced to stand down.

As president, Mr Colosio would probably proceed cautiously with economic and political reform, wary of upsetting too many vested interests.

Ernesto Zedillo

A quiet, almost silent education minister, Mr Zedillo is the least favoured of the four front-runners. Yet he is extremely intelligent, thoughtful, dedicated and close to Mr Salinas and also to the president's powerful chief of staff, Mr Jose Cordoba.

Mr Zedillo, 40, has an economics PhD from Yale, and was budget minister until last year. In that post he revealed an unwavering zeal in his campaign to cut unnecessary spending, leading some to complain he lacked compassion and political "savvy". He is a strong economic reformer, but unlike Mr Aspe, from middle-class origins. Perhaps this may make him more palatable to the Mexican public.

But his political inexperience came to light this year in a row about new school history textbooks. A controversy over flattering references to Mr Salinas overshadowed the improvements in the new books. The affair also revealed a lack of support from Mexico's political class – almost nobody came to Mr Zedillo's rescue.

His political and administrative skills will be tested by Mexico's education reforms, which give the states authority for secondary and primary education. Even if does not make it to the presidency in 1994, he is likely to be given a good cabinet position, setting him up for the year 2000.

Zedillo's middle-class origins may make him more palatable to the Mexican public

Manuel Camacho

The mayor of Mexico City, Mr Camacho, 46, is personally close to President Salinas and a key adviser on political and electoral matters. Mr Camacho has argued strongly for reconciliation with the left-wing Party of Democratic Revolution, and has had a hand in resolving most of the recent electoral disputes.

His conciliatory style, fear of making enemies, and difficulty in making up his mind earns him the scorn of the technocrats in government, some of whom would resign were he to come to power. He shows little interest in economics, and is believed to have opposed some of the president's more important economic reforms. He came under intense criticism earlier this year for refusing to confront protesters blocking the city centre, so the president felt compelled to take him to lunch in a popular canteen, to which the nation's media was invited.

But Mr Camacho has presided over important reforms in Mexico City's finances, is striving to change the city's political structure, and has restored the fortunes of the PRI. In 1991, the PRI won 45 per cent of the vote, from 28 per cent in 1988. He has shown great aplomb in defusing potentially violent clashes.

If elected, he is likely to concentrate on reducing income inequalities, and bring the PRD back into the political fold. He favours more political reform.

Much can happen over the next year to shape the president's thinking and how he analyses the country's priorities to the end of the century. If he is convinced that the No 1 issue is further structural reform in the economy, Mr Aspe's stock would rise. If his main worry is dissension in the PRI, Mr Colosio's chances would improve. If he believes it is time for conciliation within the country or if he becomes concerned about its governability, Mr Camacho might find himself in the frame.

The fact is, though, that nobody except the president knows what is in his mind. Furthermore, favourite contenders have a habit of losing out. Fascinating though it is, discussion of the *dedazo* is – as one Mexican writer has pointed out – one of Mexico's most useless subjects.

Stephen Fidler on prospects for exporters

Advantage of being near US

THE Mexican government has moved a long way to improve conditions for Mexican exporters, not least through its pursuit of a stable macroeconomic policy. But there is wide agreement that further improvements in the country's economic structure are needed.

The need for further action by both government and the private sector is underlined by this year's report from the Organisation for Economic Co-operation and Development. It comments: "Observers judge the quality of Mexican products as comparable with the bottom end of OECD countries and falling short of the standards achieved by the Dynamic Asian Economies."

Some of the problems associated with doing business in Mexico are well-known: poor transport infrastructure, in particular the railways and difficult telecommunications, although deregulation has allowed larger companies to surmount some of these problems, by allowing them, for example, to install their own satellite telecommunications systems. High labour turnover rates – in some *maquilladora* industries reaching 100 per cent a year – are also often cited as a problem.

However, it is clear that manufacturers' experience is varied. As the OECD report observes, Mexico has in the past demonstrated its capability to innovate. It cites the glass manufacturer, Vitro, as one with an international reputation for product improvement and innovation.

Furthermore, the figures suggest exporters are having some success in a difficult market. Until August, manufactured exports grew 7½ per cent year-on-year despite the weakness in the economy of the US which buys two-thirds of Mexico's exports.

Mr Andreas Sperl, head of Mercedes-Benz Mexico, says in the past 18 months his company has been able to reduce labour turnover from 30 per cent of the workforce to below 10 per cent. He has also seen a big jump in productivity. He adds of his new employees: "I've been very surprised by how fast people catch up. Many of them were farmworkers and often they can do the job in two weeks."

The company, which produces trucks for the Mexican market, is to start manufacturing around 1,000 cars a year from next year. Mr Sperl says the evidence suggests the quality of products is as high as anywhere.

Most businessmen emphasise the importance of training. Mr Jose de Jesus Valdez, director of petrochemicals at Mexico's Alfa conglomerate says: "If there was a limiting factor, I would say that we in the petrochemicals industry face a shortage of technical people."

According to Mr Jeffrey Gannon, president of the board of GE de Mexico, a subsidiary of General Electric of the US, in many of its recent investments, which have mainly been outside metropolitan areas on greenfield sites, "we have found the quality and the productivity to be better than in many of our plants in the United States and around the world."

Mr Rodrigo Guerra, director general of IBM de Mexico, says the 150 people who provide the intellectual force for its operation give value for money. "They earn $40,000-50,000 a year, probably 40-50 per cent of what they'd cost in the US, and they are 15-20 per cent more productive than in the US."

In gearing up Mexico's formerly closed economy to export, the North American Free Trade Agreement is expected to play a critical role. One sector where Mexico is expected particularly to benefit is that of textiles, where businessmen say all three Nafta members will benefit, mainly over their Asian competitors. But Mexico should be a particular beneficiary because wage rates of $2.20 an hour compare with $12 in Canada and $10 in the US.

The nuclear power plant at Laguna Verde was Mexico's first (photograph by Liba Taylor)

Mexico is also seen to have a logistical advantage over south-east Asia; its proximity to the US should allow for shorter lead times and therefore more responsiveness to US consumer demand.

In some areas, Mexican business is expected to have a tough time. Small and medium-sized companies may find it hard to compete, particularly with the high current cost of credit in Mexico. Furthermore, many of the old import substitution industries may find it impossible to compete against the US.

Mr Gannon of GE contrasts the success of one of the company's newer products, manufactured in Mexico, with the difficulties that are likely for more traditional plants in Mexico. This year, GE will export $200m of gas ranges to the US from Mexico which has also added to US employment. "In the process of creating jobs in Mexico we also created over 2,000 jobs in the US supplying the materials and components.

But he goes on: "There are other businesses created 50 or 60 years ago principally for the Mexican market; they are not as competitive and we will have to rationalise manufacturing in these." In areas such as light bulbs, for example, there might be economies of scale of 100:1 to the US advantage.

As a rule of thumb, in areas where there is global excess capacity, the Mexican industry is unlikely to survive. "We'll have rationalisation of manufacturing in both directions," Mr Gannon says.

Mr Sperl of Mercedes-Benz agrees. His company's decision to begin modest car production in Mexico was made easier by Nafta, which gave the company the strategic option of selling into the US market from Mexico. Though no decision had been made to exercise the option, it existed nonetheless. In the future, there was the possibility of regional specialisationin its US and Mexican truck operations. "You can't think about different regions, because now it's one."

POLITICS

Reform plan outlined by Salinas

THE PAST electoral year has been a difficult, even turbulent, one for Mexico's Institutional Revolutionary Party. The ruling party lost the gubernatorial election in Chihuahua and municipal elections in Baja California. Even worse, its sitting governors in Tabasco, Jalisco and Michoacan resigned under intense opposition pressure.

The resignations followed those last year in Guanajuato and San Luis Potosi after the opposition cried electoral fraud. They brought the number of non-elected interim governors appointed by President Salinas since coming to power to 17, out of 31 states. More than half of Mexico is now ruled by unelected governors, or the equivalent.

Will Mr Salinas give the party the power to select candidates, including the president?

The routine of election and post-election protests has left almost no-one satisfied, and brought pressure on the government to achieve consensus on the rules of the electoral system, and for political reform. As Mr Sergio Aguayo, a political scientist and president of the Mexican Academy of Human Rights, says: "Elections used to give ritual blessing to the PRI candidate, and so were relevant. But now they are becoming irrelevant to resolving political problems."

From the government's perspective, the demonstrations have damaged the credibility of Mexico's electoral process and tarnished the international image of the Salinas presidency. The governors' resignations have divided the rank-and-file of the PRI, and strengthened the opposition.

Four years into his administration, Mr Salinas has set out the government's approach to political reform. He wants to make the PRI a more modern political party, and there will be legislation to make electoral conditions fairer for all political parties.

The president said in an interview that the reform of the PRI "has not finished, it has to go further", echoing the views he gave at a widely publicised breakfast with 650 leaders of the PRI in late October. Then, he made it clear that the old rules had to change, and the party had to abandon past practices. Mr Salinas said the PRI had to change further its internal structure, ideology, candidate selection and finances.

But it remains unclear whether Mr Salinas will give the PRI any power to select candidates, including the president, or any influence on government policy. Without such authority, it is doubtful whether the PRI will become a modern political party.

In his November state-of-the-union address – a three-point plan for political reform that would set a ceiling on electoral spending, make party finances more transparent, electoral authorities more independent and give fairer access to media – the president said the new electoral legislation would be negotiated between the political parties. It is still uncertain what, if any, agreement will be reached.

Government officials say the legislation will be introduced after April next year. According to one, "they will set the rules of the game for political competition for the 1994 presidential elections". The legislation will give more public money to the parties, and make donations less dependent on their popular vote; establish tight rules on the amounts that individuals and organisations can contribute to campaigns; compel parties to publish party finances; give each political party similar television time; and give parties the right to veto officials from the Federal Electoral Institute.

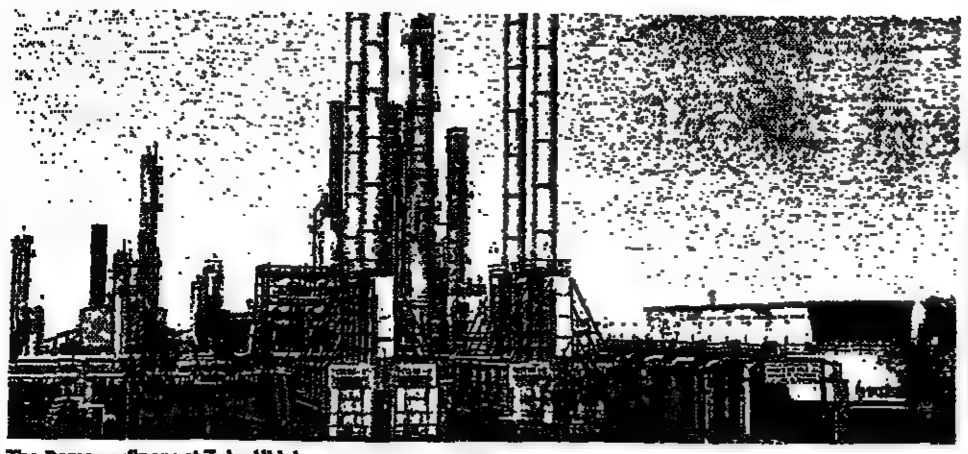
If the left-wing Party of Democratic Revolution fails to endorse the government-inspired electoral reform, the PRI is likely to settle, as in the past, for agreement with the centre-right Party of National Action. The leadership of the PAN is ready to negotiate with the PRI, in part because it has been a beneficiary of the political reform. It now has three governors, and controls over 100 municipalities.

But the PAN has to tread carefully as nine leading members – including a former presidential candidate – have already resigned from the party because of its pro-government stance. In an open letter the leaders wrote: "The party has acted not as an opposition party but as one more sector of the system." However, Mr Luis H. Alvarez, president of the PAN, said they resigned in "frustration" at not winning internal votes.

What the government fears is an opposition unity candidate for the 1994 elections

The government is likely to meet practically all the PAN demands, in part to avoid what it fears above all – an opposition unity candidate for the 1994 elections, possibly under the leadership of Mr Jesus Silva Herzog, former finance minister under President Miguel de la Madrid. The PAN has shown no interest in backing such a candidacy in the past, but if negotiations with the PRI were to break down, that could still become a possibility.

Damian Fraser


The Pemex refinery at Tula, Hidalgo

A Pemex petrol station in Mexico City

Stephen Fidler on the restructuring of the national oil company

Pemex is transformed

IN THE judgment of Mr Francisco Rojas, who heads Petroleos Mexicanos, one change above all provides the key to the extraordinary transformation that has taken place in the world's fifth largest oil company: labour relations.

When Mr Rojas was put in charge of the company by President Carlos Salinas, the company was dominated by a union and a system that fostered economic inefficiency and corruption. "Without changes in Pemex's labour relations, no other changes would have made sense. That is the fundamental change. The rest are very important issues but they are secondary to our success in changing labour relations," he said this month.

The arrest in the early days of the Salinas administration of the Pemex union boss was a first step in the rapid debilitation of a union which, having once been among the strongest in Mexico, is now among the weakest. The workforce has been cut from 168,000 in 1988 to around 120,000 now and labour contracts have been changed to allow the company much greater flexibility in the way it does business.

However, the lack of openness to competition of Pemex still makes it relatively inefficient. The Organisation for Economic Co-operation and Development, the Paris-based think tank of 24 industrialised countries, points to estimates suggesting efficiency losses at Pemex could still cost more than 1 per cent of Mexico's GDP. "Even if the full privatisation of Pemex is currently not feasible for political reasons, efforts should be made to increase its efficiency. It might, for example, be feasible to decentralise the giant company and privatise those parts for which this is possible under the constitution."

Though it has generally embraced privatisation, the Salinas administration has been unwilling to lift the constitutional impediment on selling Pemex to the private sector. This in part reflects the view that privatisation would weaken the ability of the state to extract the rent due to it from the oil being pumped. Pemex's contribution to public revenues has declined, but it is still substantial – it averaged 26 per cent between 1988 and 1991, compared with 39 per cent between 1982 and 1984. It still accounts for about 30 per cent of export revenues.

The OECD says that efficiency losses at Pemex could still cost more than 1 per cent of Mexico's GDP

Nonetheless, the logic of further opening Pemex's activities to international competition is relentless. Not only does the economy suffer efficiency losses, but at a time of fiscal austerity, it is unlikely that the government would be willing or able to provide Pemex with the kind of investment capital it needs for the optimal development of all its businesses.

If that provided the logic, the explosion in April at Guadalajara – which killed some 200 people and for which Pemex was held responsible – provided the public support and strengthened the case for a more radical reorganisation of the company. That reorganisation is now under way.

Pemex has been restructured as a corporate holding company with four subsidiaries: exploration and production, refining, gas and basic petrochemicals and petrochemicals. From the start of next year, each of the operating subsidiaries will charge the other international prices for its oil or services, a marked change from the previously attempted system of transfer pricing.

Furthermore, the results for each operating company will be published which should provide greater precision about loss-making and marginally profitable operations. The internal transactions between the company are likely to exceed in total the company's external sales, last year, of $58.4bn.

There will be a greater willingness to accept private capital. In the coming year, Pemex will put out to tender 22 wells in the Bay of Campeche, though not on a risk-sharing basis. "The market for oil industry services, for drilling, for seismology is open and isn't prohibited by our laws. But the change is not a legal change but a change in labour practices. Before, we had to obtain these services through the union and today we can contract out."

Eight basic petrochemicals remain reserved to the state. For the rest, "Pemex is going to pursue a series of policies where we will make alliances and co-investments in areas that suit us. We will sell off activities where private initiative can give greater added value. Plants that are not profitable and that cannot be modernised technologically will be closed."

Investment spending by Pemex next year of $3bn is also likely to be supplemented by off-balance sheet finance for the construction of 150,000 barrels-a-day in extra refinery capacity at Salina Cruz. The company is in the initial stage of seeking a financial adviser for this $1bn build-lease-transfer project which, unlike the more common build-operate-transfer projects, is allowed under the constitution.

In such projects, Pemex says it is benefiting from its joint venture with Shell under which the capacity of the Deer Park refinery in Texas is to be expanded. Mr Ernesto Marcos, corporate director of finance, says: "We are learning a lot about how to do these transactions from the Shell deal."

The new tax regime being proposed would allow Pemex to operate as an international oil company

Furthermore, the government is also expected to submit to Congress this year a new tax regime for Pemex aimed at allowing it to operate more as the international oil company that Mr Rojas says he wants to create. Currently, revenue transfers to the government are negotiated yearly based on the company's operating results. The government is unwilling to see its tax take from Pemex drop, but wants to provide more transparency and consistency to its tax regime.

The idea is that Pemex would pay royalties based on the oil it brings out of the ground under a regime with similarities to that operating in the British North Sea. It would then, like any other corporation, pay corporate income tax and profits left over would be paid as dividends to the government. On gasoline sales, Pemex would receive Houston-based prices, with the excess paid at the pump above that going to the government in the form of excise taxes.

Until now, says Mr Rojas, this has been one of Pemex's structural problems. "Pemex cannot analyse itself as a business when its tax structure gives no direction in relation to business."

While Pemex remains closed to competition in important areas, it is unlikely to be able to answer criticisms of its inefficiency convincingly. But senior management recognises that further change in Pemex is inevitable and desirable. Pemex should make greater use of automatisation and technology, and its international operations need to be strengthened. The private sector should play a greater role in its businesses. If efficiency demands it, Pemex should import. Above all, the philosophy of the entrepreneur must permeate much deeper into the company.

Damian Fraser on the shake-out among the country's banks

To the victors, the spoils

IT HAS been a tumultuous year for Mexico's 18 banks and 26 brokerages. Having had to deal with privatisation, restructuring and refinancing, they have watched sharp falls in their share prices in the face of rising interest rates and a slowing economy.

The banks' loan book grew sharply, and those non-performing more than doubled, to reach 3.1 per cent of the total. A handful of banks lost an estimated $500m after the rise in interest rates slashed the value of the government paper they were holding.

To top this, the government allowed foreigners to compete in the Mexican market. According to the proposed North American free trade agreement (Nafta), foreigners will have up to 8 per cent of market share in 1994, rising to 15 per cent by 2000. Then, with some safeguards, the market will be free.

The banks' most testing experience has been their privatisation, and the subsequent formation of integrated financial groups, comprising banks and brokerages. The 18 banks were sold for more than $12bn, an average of 14.75 times earnings and 3.07 times book value. While this was a triumph for the Mexican government, the high price has put acute pressure on the banks to cut costs, raise finance and in many cases redefine their corporate strategies.

Mexican banks have to reach new capital levels of 8 per cent (risk-adjusted) by the start of next year, but many are finding it difficult. Government authorities say they will show leniency to those that are moving in the right direction.

For the banks that get it right, the rewards are high. Mexico is under-banked and under-leveraged, with just one branch per 18,000 people, and credit equal to 6 per cent of GDP. In the US, by contrast, there is one branch per 4,000 people and credit is 63 per cent of GDP. Net margins remain high – at about 6-8 per cent – and in the fast growing retail sector, should stay that way. Few expect foreign banks to enter the retail market in the short term given the high entry costs, with or without Nafta.

The two largest banks, Banamex and Bancomer, account for almost 60 per cent of total assets, and by virtue of their size, management experience and superior technology, are most analysts' favourites to benefit from the expected growth in the financial sector. While Bancomer is Mexico's leading retail bank, Banamex is the top corporate bank and dominates the capital markets.

Banamex was bought by Accival, Mexico's largest and most successful brokerage, for $3.2bn in August last year: and the two now form Grupo Financiero Banamex-Accival, or Banacci. The new owners – Mr Roberto Hernandez and Mr Alfredo Harp Helu – have fired or accepted the resignation of the majority of top managers, in a shake-up intended to assert more discipline and central control. Banamex's former managers are now found running Comermex and other smaller banks.

"When we took over this bank, it was seven banks vertically organised. Now it is one horizontal bank, and we have removed four layers of bureaucracy," says Mr Hernandez.

Banacci hopes to maintain its position as Mexico's leading corporate bank, expanding its presence in car loans, mortgages and credit cards, while reducing its personal loans business. Mr Hernandez says his bank has no interest in expanding significantly in the US or Europe, arguing that Banamex "is going to concentrate where we have a competitive advantage."

Banacci's ambitions suffered a blow in June when it was forced to withdraw a $1.5bn equity offering after steep declines in the Mexican stock market. Its plans to expand have inevitably been affected.

It then experienced a second setback when it lost around $200m on *ajustabonos*, government paper whose real interest rate rose from 2.5 per cent in April to over 7 per cent more recently. The losses reflect the group's trading rather than commercial banking bent: it still holds uncovered risky positions in the money and currency markets, and derives a large slice of profits from capital markets activities.

Bancomer's strength, by contrast, is in commercial banking, from which it makes over 90 per cent of profits. The bank was bought for $2.6bn from investors from the Monterrey-based Grupo Visa, which owned Vamsa, the successful financial services company. Bancomer is now Grupo Financiero Bancomer (GFB), which comprises the bank, the brokerage Absa, and a leasing and factoring company.

The new owners have kept most of the top management and, unlike Banacci, had the good fortune to make their equity offering of $837m in March, when Mexico's stock market was still hot. While the bank hopes to maintain its leading position in the retail market, it is currently trying to bolster its presence in the corporate segment.

Other banks are struggling to define their market niche. Banca Serfin, the third largest bank, and bought by investors from the brokerage Operadora de Bolsa, has been in some disarray, and in September the owners fired scores of senior and middle managers. It is paying the price of a rapid and perhaps ill-considered increase in loans over past years.

Comermex, the fifth largest, and bought by investors from Inverlat, is pursuing a pan-Latin American strategy, and has bought brokerages in Colombia, sold a 5 per cent stake to Banco Novia Scotia of Canada, and hopes to form more alliances with financial groups in the US and Latin America. Like other Mexican banks, Comermex is focusing on the retail and middle-level corporate market.

As competition between these and other banks hots up, observers expect a second round of mergers and rationalisation. Foreigners, who so far have limited presence to the occasional small-size strategic stakes, may move in at this point.

A money exchange office in Mexico City (photograph by Adrian Neville)

Equity and bond financings

Quiet end to year

THE STEADY flow of both equity and bond financings by Mexican companies this year was interrupted by the collapse of the Mexican stock market in June.

Weak stock market conditions put the brakes on several planned equity offerings for companies such as Banamex, the Mexican bank. Several companies then switched planned equity offerings into the bond market, which soon succumbed to a severe bout of indigestion.

Consequently, after a surge of activity in the first half of the year, the market for Mexican debt and equity is ending the year on a quieter note. According to bankers, it is likely to remain on hold until the new year.

After a two-year rally, the Mexican stock market fell 15.5 per cent in June, the sharpest drop since October 1987, but has since recovered some ground. The market rallied strongly on growing confidence that the election of Mr Clinton in the US would not jeopardise the Nafta free trade agreement.

Meanwhile, the shift of funding to the bond market has overstretched demand, amid rumours of $3bn equivalent of funding in the third quarter, according to bankers.

Grupo Dina's recent $150m five-year deal and Cemex's $280m seven-year deal are among the offerings which were shifted to the bond market after equity market conditions proved unfavourable. Some companies felt that stock market prices were at an unattractive level for issuance, while other companies, whose stock prices have been performing particularly poorly, found the market closed to them.

The effect of the surge of supply in the bond market has inevitably been a widening in yield spreads relative to the US treasury market. Yields for state-owned Mexican companies, such as Pemex, the oil company, and Nafinsa, have widened substantially, and increased funding costs are expected to keep these borrowers out of the market for the time being.

Five-year Pemex paper now trades at around 300 basis points over the comparable US treasury yield, compared with a historically tight level of 195 basis points early this year, according to Mr Miles Protter, a director of Swiss Bank Corporation.

The impact on yields in the corporate sector has been even greater. For example, a deal launched last year for Apasco at a yield spread of 357 basis points tightened to 260 basis points before widening to a current level of 380 basis points.

Weak corporate credits are now forced to pay as much as 450 basis points over the US treasury yield curve to tap the market. "Small companies are paying 12 per cent for one-year or two-year money (in the Eurodollar bond market). But they would have to pay 25 per cent in the domestic market," one banker explains. Consequently, smaller companies have continued to raise funds, at relatively expensive rates, in the private placement market, often on a one-off basis.

Bankers are expecting activity to pick up again in the new year, but in the meantime it is likely to be concentrated in the commercial paper market. A handful of borrowers, such as Ica, the construction company, may try to tap the bond market before the end of the year.

Tracy Corrigan

مكتبة الأصل

Damian Fraser's guide to staying well-informed

Puzzling figures may be wrong

SINCE Mexico is awash with financial newspapers, magazines, newsletters, government bulletins and press releases, one might think that obtaining accurate and timely information is an easy matter. However, a lot of the material published is of little use or misleadingly presented, while much that would be useful never appears.

First port of call should be the National Institute of Statistics, Geography and Informatics (Inegi), responsible for national accounts and other official statistics. Based in the state of Aguascalientes, it is managed as if it were an autonomous organisation, though it answers to the finance ministry.

Inegi receives praise from international agencies, such as the Organisation for Economic Co-operation and Development, which are impressed by its statistical techniques and professional integrity. It is responsible for producing and/or disseminating basic economic statistics – quarterly GDP by sector, monthly trade figures, monthly industrial surveys and monthly urban employment surveys. Every 10 years it conducts a general census – the latest is for the period 1980-90 – and every five years a general economic census.

While its information is usually accurate, it is not always accurately reported, in part because press releases that accompany statistics are often extremely misleading. On any given month, it is quite possible Mexican newspapers will report four different trade figures.

Mexican idiosyncrasies also make some figures puzzling. Unemployment is recorded at about 3 per cent, which no-one takes seriously. But this reflects a tight United Nations definition of unemployment – anyone who has worked more than a hour in a week is considered employed.

Lack of unemployment insurance in Mexico means just about everyone finds some work for an hour. However, Inegi produces about 10 variations of unemployment figures, to account for under-employment not captured by the UN definition.

For these and other reasons it is best to obtain information direct from Inegi. For recent economic figures, information can be received by fax through a new service open to subscribers, known as Infofax (91-800-49059). Alternatively, Inegi will send statistics by modem, or PC-disk.

Inegi's 1990 census offers a rich mine of material. All the population and housing statistics are available on PC-diskette (and very soon on CD-ROM) at a state, municipality, locality and even by "block" (ie, four or so streets) level.

Unemployment is put at about 3 per cent, reflecting the UN definition: anyone who works more than a hour a week is employed

Armed with the correct PC-disk you can discover the educational attainment of residents, or the number of houses with electricity, running water, sewerage, electricity in any specified block of streets in any Mexican town.

Such information could be used by a local planner deciding where to build a hospital, by businessmen interested in opening a supermarket, by political parties wanting to target probable sympathisers and so on.

After Inegi in importance comes the Bank of Mexico. It produces figures for inflation, foreign reserves (only three times a year), money growth, balance of payments and financial markets.

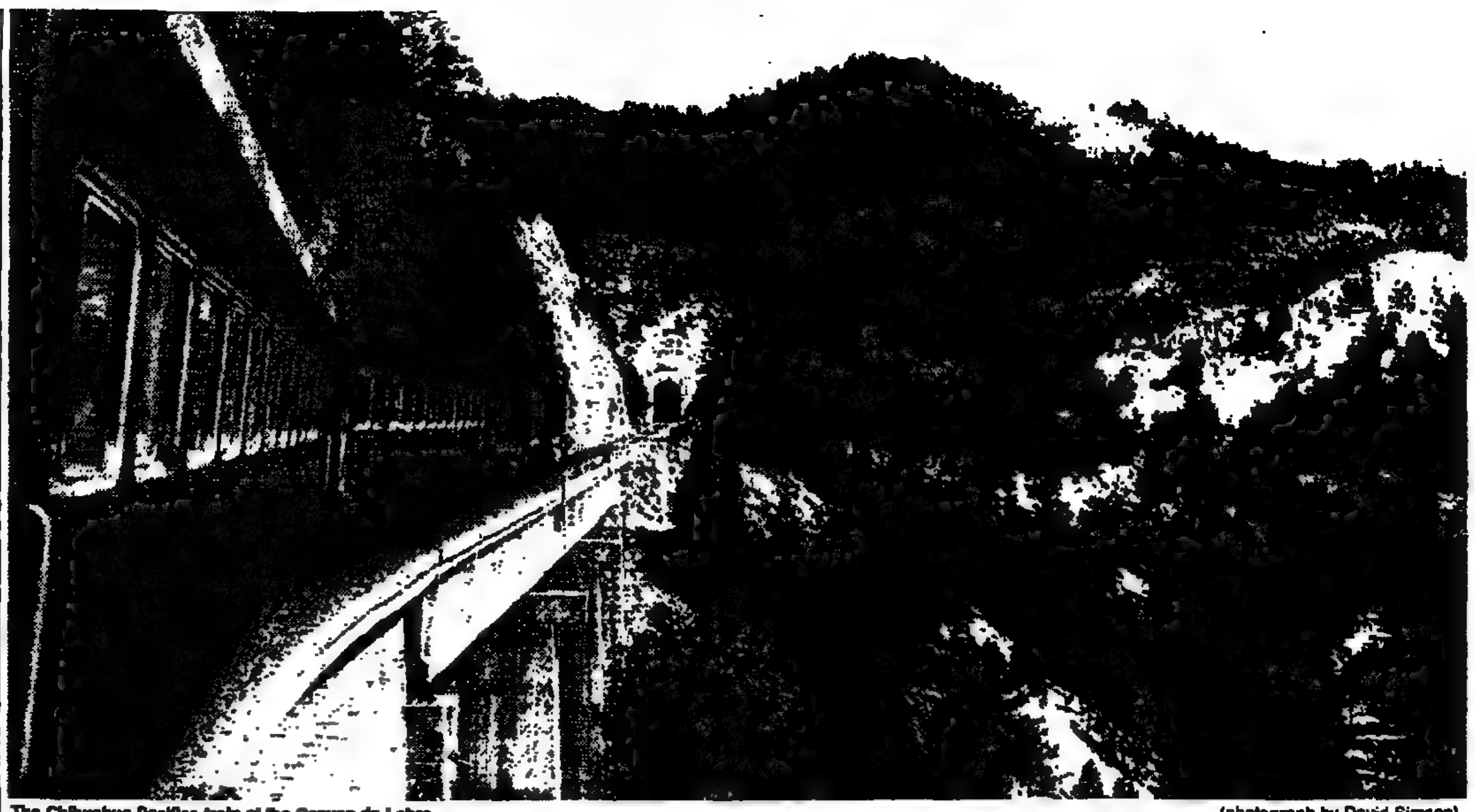
Like Inegi, the Bank of Mexico has the infuriating habit of not saying publicly and well in advance when its figures are to be released, nor can it then be relied on to stick to the date. It does not even advise its subscribers when its monthly indicators are ready. The Bank of Mexico has the same source as Inegi for much of its material, and it is a mystery why it is much slower in publishing its figures.

However, government departments and state companies are usually worse than the Bank of Mexico. Perhaps the worst offender is Solidarity programme, an anti-poverty project now under the Ministry of Social Development. While the government is quick to reel off the number of new clinics, schools and homes with potable water that Solidarity has delivered, academics complain there is much less information on inputs, and thus the effectiveness of various parts of the programme.

Mexico's financial newspapers and magazines provide an enough information to overwhelm even the most enthusiastic reader. Since the Mexican press tends to attribute more significance to what important people say than to what has actually happened, much of what is published can be safely ignored. But senior government ministers occasionally drop tantalising hints about the state of the economy in obscure places, so it is usually worth reading their statements.

Perhaps the best source of financial and private sector information is Infosel, the financial wire service owned by the Monterey newspaper El Norte. This gives real time prices on equity, money and commodity markets and market-related information on the companies and politics as it becomes public. It also provides summaries of the Mexican and international press.

Infosel has nearly 1,000 subscribers, and can be seen in the office of practically every stockbroker, finance director and senior finance ministry official. The main drawback is that with a market as volatile as Mexico's, it becomes compulsive watching, and uses up much of the day.



The Chihuahua Pacifico train at the Canyon de Lobre (photograph by David Simson)

THE PRESS

How the government edits the news

MEXICO'S government keeps a tight grip on the media.

A few months ago La Jornada newspaper, one of Mexico's more independent dailies, published two photographs on its front page, under the heading, "Two political rallies in the same town". One showed the Official government candidate in front of a huge crowd; the other showed the candidate for the opposition Party of Democratic Revolution addressing an empty street.

La Jornada was paid $10,000 to publish the latter photograph (for which it later apologised) which was taken several hours before the opposition candidate's rally began.

The only unusual thing about the affair was that it came out in the open. Every day, Mexican newspapers print news stories or photographs for which the government pays. They can receive up to $30,000 for a front page item.

In the same way, journalists typically receive monthly payments from the government departments they cover, of as much as $3,000 a month or about three times their salaries. They also receive a rake-off from advertisements placed by their government department of about 10-15 per cent.

However, such practices are not universal. A growing number of Mexican newspapers – El Financiero, a financial city daily, El Norte of Monterey, El Diario de Yucatan, Zeta in Tijuana, the weekly Processo and Mira, generally do not take government money, and they criticise with abandon. And as the government retires from large parts of the economy, its ability to control the independent press with the threat to pull advertisements is declining.

But for the vast majority, the practice of receiving government money and self-censorship is common. Naturally, it undermines the objectivity of journalists – if they upset their department, the cash flow drops off. Few daily reporters in Mexico cover government corruption, or criticise the officials with whom they are in close contact. Such work, if it is done, is assigned to political columnists, who are often following the orders of a political rival when they make such attacks.

If newspapers criticise the administration, they get the cold shoulder

President Salinas and his government have done little to change such practices, realising how useful they are in maintaining power. Government money continues to subsidise journalists and newspapers, and newspapers that criticise the administration are given the cold shoulder.

The ministry of finance refuses to advertise in Mexico's main financial newspaper, El Financiero, because it does not like its editorial line. It does not even include it in its daily synthesis of newspaper articles. Until September, the president would not let an El Financiero journalist on his press aeroplane.

Televisa, Mexico's near-monopoly television company, "is like part of the ministry of information," says Mr Raymundo Riva Palacio, an editor of El Financiero, and frequent critic of the government. Televisa almost never reports post-electoral demonstrations, rarely interviews leaders of the opposition, or runs anything embarrassing to the government.

What changes there have been have yet to have much of an effect. The government has ended the monopoly of the state-owned paper company, giving newspapers the right to import their paper. But this in practice has been of limited importance, since cutting off a newspaper's paper supply was much too much a Draconian and public measure of censorship. And most newspapers still buy their paper from the state-run company, one of the few to have escaped privatisation under President Salinas.

In September the government announced that newspapers would have to pay the expenses of covering the president's international trips – up to then all expenses, including entertainment, were paid by the government. A presidential spokesman said "that in a nation of symbols this is important."

On television, the government reckons the imminent privatisation of two state-owned channels will put increasing pressure on Televisa to be more independent in its coverage.

Damian Fraser

Damian Fraser explains the Nafta pact

New era for trade

TWO months ago, in San Antonio, Texas, trade ministers from Mexico, US and Canada formally signed the text of the North American Trade Agreement, concluding 15 months of negotiations. The September 7 treaty, if approved by the countries' legislatures, is likely to mark a profound transformation in Mexico's economy.

For while Mexico is already relatively open to trade, the treaty will almost certainly ensure there is no going back to protection. Almost every Mexican industry now knows it will have to compete with its most efficient North American rivals in order to survive. However compelling the case for special protection, the Mexican government will be prohibited by law from offering it.

At the same time, the treaty gives Mexican exporters full and certain access to the US and Canadian markets, irrespective of protectionist developments in the US. Trade disputes will be settled by special trade panels which, judging by the US-Canada treaty, will be objective and fair in their rulings.

Most significantly, the treaty provides a legal framework for almost all business and trade in Mexico, perhaps for the first time. The thousand pages of text tie the hands of any Mexican government wishing to meddle in the country's economy. Rules over foreign investment, tariffs, quotas, rules of origin, customs regulations, export subsidies, intellectual property, sanitary and anti-dumping measures, technical standards, even driving licences and medical tests of lorry drivers, are precisely laid down for the foreseeable future.

In a country where government policy has swung wildly over the past two decades, and where obedience to laws is often half-hearted, the implementation of such a treaty would herald important social and economic changes. An underdeveloped country with an Hispanic-Indian culture would have to play by the same rules of the game as the US and Canada.

The promise of such rules is intended to attract foreign investment, and above all, put increasing pressure on Mexican businesses and labour to match the productivity of the US and Canada. Many of the impediments to doing business in Mexico – corruption, over-regulation, outdated labour laws, poor infrastructure – would, hopes the government, gradually be removed. But at the same time, many inefficient Mexican companies – perhaps whole sectors – will go bust.

The treaty has still to be approved by the legislatures in the three countries. The vote in the US, where President-elect Bill Clinton has expressed conditional support, will probably be in the first half of next year. If passed, the agreement will come into effect on January 1, 1994.

In the first year the US will free tariffs

An underdeveloped country with an Hispanic-Indian culture would have to play by the same rules as the US and Canada

on 7,300 goods, which last year represented 84 per cent of Mexico's US bound non-oil exports. Many of these already entered free under the General System of Preference. Mexico will eliminate tariffs on goods equivalent to 41 per cent of its non-oil imports.

In the fifth year the US will free tariffs on another 1,200 products, or 8 per cent of Mexico's US non-oil exports, while Mexico will eliminate tariffs on the equivalent of 18 per cent of goods. In the tenth year the US will liberalise another 7 per cent of Mexico's exports, and Mexico 38 per cent of its US imports. The tariffs on a few sensitive goods, such as sugar, maize and beans, will not be liberalised for 15 years.

The details of the treaty reveal that almost all the significant concessions were made by Mexico, although the US failed to persuade the government to open up the oil industry to foreign investment:

Financial sector.

Mexico has agreed to open up 8 per cent of the banking sector and 10 per cent of securities sector immediately to foreign investment, gradually increasing this to 15 and 20 per cent respectively by the year 2000. During the transition Mexico will apply individual market shares of 1.5 per cent and 4 per cent to banks and securities houses respectively. After that, full national treatment will apply.

Agriculture.

This consists of three separate bilateral agreements. Mexico and the US will replace all non-tariff barriers with tariff, which will gradually be phased out, and allow roughly one-half of their agricultural trade to go through tariff-free immediately. Mexico will protect maize and beans for 15 years; the US sugar and orange juice for 15 years. The three countries will permit domestic support programmes in agriculture, but work to eliminate export-subsidies, and commit themselves not to use marketing standards to discriminate against another country's products.

Oil.

Mexico's constitutional ban on foreign investment in the oil sector remains. However, Mexico will gradually open up procurement of the state oil and electricity companies to US and Canadian companies and allow US and Canadian companies to sell gas directly to Mexican businesses. It already has reduced the number of basic petrochemicals reserved to the state from 19 to eight.

Cars.

Mexico will immediately halve its 20 per cent tariff on cars, and cut the remaining 10 per cent gradually; phase out over 10 years the requirement that links imports to a car company's exports, and the rule that forces cars in Mexico to have 36 per cent local content. The US will eliminate its much smaller tariffs, and consider Mexico to be North American for purposes of the Corporate Fuel Efficiency Act.

Transportation.

US truckers would be able to carry cargo into Mexico by the end of 1999.

The treaty also covers dispute settlement procedures, intellectual property laws, rules on competition policy and monopolies, the administration of domestic laws that affect bilateral trade, and technical standards. But the agreement does not cover immigration (barring that of professionals), nor provide funds for regions unable to compete.

'Greenest treaty ever'

WILL Mexico's environment improve with Nafta?

Nafta is nominally about trade, but the debate over the effect it will have on Mexico's environment may help determine whether it is passed by the US Congress, writes Damian Fraser.

The three governments like to argue that Nafta will make Mexico richer and thus more able to afford the kind of environmental protection already in place in the US and Canada. Faster economic growth will enable Mexico to dedicate more resources to improving air quality in Mexico City, cleaning up the US-Mexican border, and setting aside more land for ecological reserves.

Further, the treaty itself incorporates a number of environmental safeguards, making it, according to Mr Bill Reilly, head of the US Environmental Protection Agency under President Bush, the greenest free trade agreement ever negotiated.

The green language of the treaty would give precedence to international environmental treaties, such as the Montreal accords, over Nafta; let each country choose the level of protection of the environment that it deems appropriate; provides that no Nafta country should lower its health, safety or environmental standards to attract investment; and allows disputes over factual questions on the environment to be resolved by the Nafta trade panels.

Mr Sergio Reyes Lujan, the president of Mexico's official Ecology Institute, says such measures "establish formulas to ensure that free trade is equitable" while respecting national sovereignty. For many Americans, the measures do not go far enough. For example, President-elect Clinton has called for additional parallel environmental accords.

First, environmentalists worry that US firms would cross the border in search of laxer environmental regulations. Although Nafta explicitly forbids lowering standards to attract investment, it is not clear whether lax enforcement that attracts investment is punishable. A number of US furniture makers have thus moved to Mexico to escape tougher Californian state environmental laws.

A recent report by the US General Accounting Office concluded that none of six maquiladoras (foreign-owned plants) that they audited complied with Mexico's required environmental impact assessment before going ahead with operations.

Second, critics complain that the dispute resolution panels comprise trade rather than environment specialists, and have insufficient authority to settle many environmental complaints. As it stands, the panels can only offer judgments on factual questions arising out of environmental disputes that affect trade. Environmentalists want their own commission to monitor each country's compliance with environmental laws, and would like to impose "green taxes" on trade to finance a clean-up of the border.

Such measures would be seen by many in Mexico as intervention in its sovereign affairs, and economically costly. But as the price of legislative passage of the Nafta, Mexico may have no option but to accept them.

Profile: AGUASCALIENTES

Boom town snags

WHEN Xerox Corporation decided to move its manufacturing plant from Mexico City 10 years ago, the company judged prospective sites by four criteria.

- Was the new site centrally located – close enough both to Mexico City and the US border?
- Was there harmony between management and unions?
- Were there qualified people nearby?
- Did the state government promote industrial development?

Top of the list in answer to practically all these came Aguascalientes, in the tiny state of the same name. This commercial, industrialised town of 500,000 people is in the very centre of Mexico, almost equidistant from the northern and southern borders, and the Pacific and Atlantic coasts.

Labour relations are the best in Mexico, and there has not been a major strike in 40 years. The city is home to two universities, two technological institutes, and several American and Japanese schools, providing prospective companies with a local skilled workforce. The state government has practised (for Mexico) an enlightened industrial policy, building homes for new workers, industrial parks for businesses, roads for better communication.

The result is that while most of Mexico stagnated in the 1980s, Aguascalientes boomed. From 1986 to 1991 the state's economy grew by 6.8 per cent a year, against just 2.8 per cent for the country. Industrial production rose by 8 per cent a year. Social indicators – such as literacy, access to potable water and electricity, improved far more rapidly than in the rest of the country.

The boom was fuelled by foreign investment, which increased by an average of 40 per cent a year. Xerox, Nissan, Texas Instruments, Dupont and Hewlett-Packard, among others, moved into the state, and helped exports increase six times from 1986 to 1991.

Nissan has invested around $1bn in adding to its engine plant an assembly plant with capacity for 120,000 cars that will be inaugurated in December. Next year, Nissan Mexico expects to export 40,000 of these cars to Japan, the first time the company will import foreign-made cars into Japan. While Nissan has had terrible labour relations in its Cuernavaca assembly plant, its engine plant in Aguascalientes has been trouble-free.

Aguascalientes' growth has brought its problems. Compared with poorer neighbours such as Zacatecas or Guanajuato, the town is polluted, noisy and unsafe. The huge demand for labour means the turnover of workers is high, and salaries are higher than elsewhere. There is still a shortage of housing and water. Says the state's new governor, Mr Otto Granados: "We have resolved the primary problems of employment and growth: now we have to tackle the secondary ones."

Mexico's centralised political system makes this difficult. States have little power to raise money directly. Mr Granados would like to put computers in the state's primary schools, but the federal education budget does not permit it.

While there is some decentralisation – in education, for example – Mexico's finance ministry shows no inclination to allow local government to raise money, or decide how it should be spent. Richer states, such as Aguascalientes, inevitably become constrained in their ability to grow.

Damian Fraser

Political reform

Continued from Page 1

Macro Asesoria Economica, an economic consultancy.

This point is conceded by some government officials, although some of what needs to be done will have to await another administration. Officials say the government is working on proposals to give independence to the central bank and is expected to introduce a significant streamlining of the 1973 foreign investment law, which will open new sectors of the economy to foreign ownership, apart from a small number of industries deemed strategic.

Poor Mexican infrastructure – transportation and ports – severely weakens the economy's competitiveness and will have to be addressed. Restrictive practices in the ports – the average wage of a docker is $1,100 a month – mean that the most important port for Mexican trade is now Houston, Texas.

Reform of the bureaucracy is also seen as necessary, as are sweeping changes to the legal and judicial system, where procedures are unduly lengthy and bribery of judges common. Not only is this necessary to prevent the widespread abuse of individual rights, but it is also an essential condition for a functioning market economy with enforceable contracts and property rights.

Some finance officials see the need for a reform of the labour laws, which make it impossible to cut nominal wages except in business emergencies. "We have inflation inertia in Mexico. Wage settlements have been too high for inflation to fall faster," says one.

All this is needed to provide the backdrop to improve Mexican productivity, itself the key to economic growth and the alleviation of the extreme poverty which grips a fifth of the population. While Solidarity, the Salinas anti-poverty programme, continues to increase in size and importance, growth will have to be relied on to raise the general standard of living.

Some foreign and local businessmen report positive experiences with respect to the productivity of their own workforces, but these indicators need to become more common. The agricultural and educational reforms of the administration should be steps, over the longer term, towards achieving these objectives.

Another critical element in increasing investment and improving productivity is the North American Free Trade Agreement with the US and Canada. Negotiations on this critical element of the Salinas economic plan now await ratification by legislatures in the three countries.

However, the way forward has been clouded somewhat by the defeat of President George Bush, who has been a strong supporter of Mr Salinas, in the US presidential election this month. President-elect Clinton has praised Mr Salinas and said he supports Nafta in principle but he wants further safeguards with respect to the environment and jobs. Until it is known exactly what Mr Clinton means by this, and until the agreement is ratified by the US Congress, nervousness among Mexican policy-makers will run high.

The coming year, then, is to be a crucial one for the Salinas administration. Three important issues – political reform, the economy and Nafta – will influence heavily the long-term importance of his place in history. They will also largely determine the choice that the president is expected to make in the next year or so about the man he wants to lead Mexico to the next century.

HOME ENTERTAINMENT

As in a previous era, an evening at home could become more like an evening at the concert hall or cinema *Picture: "The Salvators", BREMA*

Sharp LCD video projectors can produce a picture on a 150-inch screen or even the living room wall. New electronics products are taking the home entertainment experience one notch higher in terms of quality

A Kodak Photo CD player outputs a picture to a Philips wide-screen TV. The player will also offer CD audio reproduction via the home hi-fi system in addition to playback of photographic quality images on television

Science fiction becomes reality

Multimedia, which is the combination of video, photography, animation, data, voice and audio in one medium, is the hottest trend in electronic entertainment today, writes Michiyo Nakamoto

Rapid advances in technology in the latter half of the twentieth century have had a dramatic impact on how people entertain themselves in their free time at home.

The boundaries of home entertainment have widened to encompass a huge array of electronic products ranging from video games and laser disc players to personalised stereos.

In Japan, where trends in consumer electronics are increasingly set, toy-makers report that for the past few years children have shown little interest in bicycles and bats, which can only be used outside. These changes in how we spend our free time, brought about by new technologies and new needs, have had a significant impact on how we relate to one another.

For one thing, the sheer variety of consumer electronic products on offer and the dramatic fall in prices over the years, have made entertainment much more personalised.

Instead of one family television set in one corner of the living room and the grand stereo in the other, there will often be two or three television sets in a household and an audio set for each member of the family.

Pioneer captured the trend in one word when it introduced an audio series several years ago with the brand name "Selfie."

But it was Sony which took the concept of personalised entertainment to its extreme when it introduced the Walkman, its portable cassette tape recorder, although strictly speaking this is more often used outside the home.

The spread of video games, which are essentially an interaction between one player and one machine, has now taken the trend to a point of no return.

This self-absorption in a world of science fiction is aggravated, in the minds of many concerned parents, by the difficulty the older generation has in relating to the thrills of shooting green lemmings and exploding mushrooms. The world of video games is not of the same order as the world of Mickey Mouse or Winnie the Pooh.

And while parents will always find it difficult to relate to their children at some point, video games – highly popular among children from about the age of five – may be pushing that alienation threshold significantly lower.

The popularity of video games points to another trend that is gathering momentum in the home entertainment market – that of interactivity.

Video games entertain their players by propelling them into another world which they not only observe but can actually interact with.

The immense appeal of video games has shown that, contrary to what the large number of couch potatoes may suggest, many people enjoy active and interactive participation, which conventional forms of in-house entertainment such as television, radio and video, only provide vicariously.

Camcorders, which involve people in the creative process of filming, and sing-along karaoke systems, also point to the popularity of interactive entertainment.

But the technology that promises to bring out the full potential of interactive entertainment is multimedia.

Multimedia, which is the combination of video, photography, animation, data, voice and audio in one medium, is the hottest trend in electronic entertainment today.

What it provides, apart from the combination of many forms of entertainment in one convenient package, is a superb ability to interact with the material – to alter the visual image, combine different sound tracks with different pictures, move one picture from a scene to elsewhere – much in the same way that computers enable writers to alter vast amounts of writing at the touch of a button.

A good example of how multimedia can be used for interactive home entertainment comes from Philips, the Dutch electronics group, which has launched a multi-media entertainment system it calls Compact Disc-Interactive (CD-I).

By connecting a CD-I player to the television, players can wander through the vast collection at the Smithsonian Institution in Washington, learn how to play the guitar in lessons complete with slow-motion movement, or test their creative skills in a musical game.

The increasing use of the digital format in consumer electronics is what has brought interactivity into the home and future developments promise to take this interactivity into other realms of entertainment.

So, rather than interact with material that is specifically created for that purpose – such as video games and CD-I titles – we will increasingly be interacting with films and music that have been produced primarily for other purposes.

Sega, the video games player, has already launched a video game that allows players to make their own music videos using film footage of popular musicians and interact with characters in the recent box-office hit *Batman Returns*.

Continuing work on digital television, and the US decision to adopt a digital advanced television standard, means that we may soon be able to interact with what is on the television screen.

Developments in technology are also at the root of the enormous increase in the choice of entertainment programmes and the improving visual and aural quality of the programmes that are available.

Greater choice in software again means that entertainment becomes more personalised. In addition to choosing what we want to buy or rent at the video store, we will soon be able to chose what we want broadcast into our homes.

For example, digital technology is likely to bring a significant change to radio broadcasting soon in the form of digital audio broadcast (DAB), which will offer not only the possibility of vastly increased numbers of radio channels available but also the ability to chose the contents and record them in CD-quality sound.

The advent of DAB has prompted the idea of the armchair record shop where consumers could choose to listen to specific tracks from a pre-published catalogue and make perfect digital copies of the music on their recordable digital tapes or discs.

The same idea could be taken further to "video on demand," an idea which has already caught on in the US. Telephone companies, such as Bell Atlantic, have been testing systems for video on demand over the telephone line.

While there are still some regulatory hurdles and, in the case of DAB, industry resistance, technological developments and consumer demand indicate that things are going in that direction. Pay per view is already widespread in the US and could become more so in Europe in the near future.

The picture that these developments draw, and consumer electronics manufacturers would like us to envision, is of an evening at home that is becoming more like an evening at the concert hall or cinema.

High definition television and wide-screen TV are the obvious examples of new products that are taking the home entertainment experience one notch higher in terms of quality – although not necessarily of the quality of programmes.

Eventually, flat-screen TVs and projection TVs are likely to encourage more people to stay home and watch a film rather than go to the cinema.

These technological advances aim to replicate as best they can the experiences in life which we define as entertainment; to create something closer to the real thing.

All of which appears to be leading inexorably to a world of virtual reality. And what can be more personalised, more interactive and more close to the real thing than to don a VR helmet and experience the sensation of speeding your way through shooting stars in a runaway spaceship?

For years the gurus of high technology have been forecasting the arrival of multimedia – the bringing together of text, sound, still images, full motion video and computer graphics in one box of user-friendly electronic tricks. Finally it seems, the waiting may be almost over.

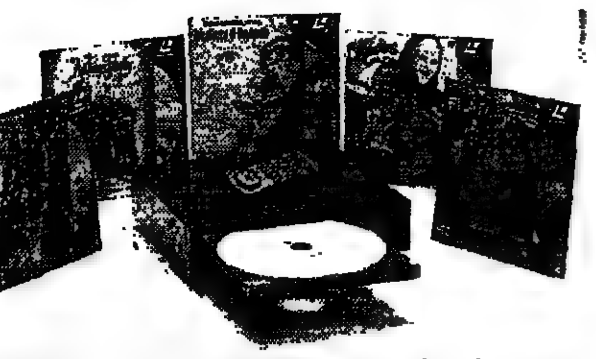
The concept of multimedia has excited those in both the consumer electronics and computer industries, and led some to predict that the next wave of high technology products will boast interactive multimedia features.

By integrating some of the features of the personal computer, compact disc (CD) player and television, multimedia's advocates argue that a new generation of easy-to-use digital consumer electronics equipment will emerge, capable of delivering high quality information, entertainment and education.

Already a handful of new products have been launched which could help define the shape of the home entertainment market into the next century. Most of them are built around variants of the CD and appear to offer some, if not all, of the promised features of multimedia.

The audio CD, developed jointly by Philips and Sony in the early 1980s, revolutionised the pre-recorded music business. Since then it has been followed by numerous spin-offs including digital video Laser Discs and several variants of CD-Rom – a disc-based system for storing large volumes of data and other information which can then be used and manipulated, for example, by a personal computer.

But CD-Rom applications do not have to be big and bulky. Among the latest CD-Rom developments is the Data Discman, a portable "electronic book" launched by Sony which gives the user instant access to a vast quantity of visual information stored on an 8cm compact disc. Each disc can contain up to 100,000 of A4 text and/or 32,000 images, or a combination of both. One CD electronic book therefore contains the same amount of information as about 200 London telephone directories.



Video laser discs and player: about 550 titles are available in the UK

The Data Discman displays visual information stored on an 8cm CD

□ MULTIMEDIA

A single box of tricks

The Data Discman was launched in the UK in July with a £350 price tag along with a selection of "titles" including the "Time Out" London guide, a comprehensive English-French dictionary, and an electronic speech writer's kit providing about 10,000 quotations and jokes classified to specific topics "for easy searching."

Since then, new titles are being added at the rate of at least four a month and have been designed to cater for reference and educational needs, business use and general leisure.

In Japan, where the Discman was launched in 1990, more than 70,000 players were sold in the first five months.

Certainly, with several million PC-based standard 12cm CD-Rom drives already in use worldwide there seems little doubt that electronic publishing, particularly of reference material for use with home computers or in schools and libraries, is likely to grow.

An estimated 2,000 CD-Rom titles including telephone directories, medical databases, service manuals, newspapers and other reference works are already available. However, growth could be limited by the lack of comprehensive standards.

A relatively new standard, CD-Rom XA, was launched in 1988 in an attempt to bridge the gap between CD-Rom and CD-I or Interactive CD discs which can store a fully digital multimedia mix of sound, video, text and graphics.

CD-I, backed by Philips, Sony and Matsushita, has been developed in competition with several other multimedia standards including digital video interactive (DVI) backed by Intel, the US chip maker, and others.

However it was the introduction in Europe earlier this year of the first consumer electronics CD-I players by Philips which has really helped fuel the growing public awareness of multimedia.

According to Kodak, the world's 250m 35mm photographers produce a staggering 50bn colour exposures each year

According to Philips, CD-I is "the *de facto* multimedia standard" and since CD-I players went on sale in the UK in May the company says "sales are now equalling CD-audio in terms of take-up at the same stage of introduction."

The CD-I player, which hooks up to the TV and hi-fi system and costs £499 in the UK, allows users to manipulate material on screen. It is a mixture of sophisticated video games machine, standard audio CD player and information system aimed squarely at a family audience.

Without moving from an armchair using CD-I discs and a remote control pointer, it is possible to "tour" a museum, "play" a round of golf on some of the world's greatest courses or control the characters from "Sesame Street" – the popular children's programme.

Philips has learnt the painful marketing lesson of some of its earlier new product launches and tried to ensure that there is sufficient software available to tempt the first hardware buyers.

The availability of high quality CD-I "software" is probably the single most important factor in determining whether CD-I is a commercial success. About 50 CD-I discs costing from £14.95 and covering four main categories – children's topics, games, music and special interest – are available in the UK with between four and eight new discs being introduced each month.

The new CD-I players also support the pioneering Photo-CD standard jointly developed by Kodak and Philips. Photo CD enables consumers to take an undeveloped, or developed, roll of 35mm film into a designated high street Photo-CD centre, typically the usual place used for getting films developed, which then transfers up to 100 photographs onto a CD-style disc.

The high quality images can then be viewed on a conventional TV using a CD-I player, a dedicated, and somewhat cheaper, Photo-CD machine which nevertheless can also play audio CDs, or even a personal computer using a CD-Rom XA drive.

Another option, called Photo CD Portfolio, will allow customers to combine their photographs with text, voice commentary and sound effects on another higher capacity disc, while pre-mastered discs are planned which will provide a sort of "talking book" with a narrative sound track accompanying each frame.

According to Kodak, the world's 250m 35mm photographers produce a staggering 50bn colour exposures each year.

Mr Ravi Khanna, Kodak's Photo CD product manager in the UK, said: "Kodak's market research has identified that whilst many consumers enjoyed photography they were often unable to find the time to put their photos in albums or any other form of archiving system... the Photo CD system overcomes this problem as well as offering a completely new way for the consumer to view and enjoy their photographs."

While Photo CD provides the CD-I player with still image capabilities, full motion video is promised with a £130 upgrade cartridge due to be available by the end of the year. This final multimedia element will enable CD-I players to show up to 72 minutes of video using the latest video compression techniques.

However if the highest quality video is required consumers should perhaps take another look at the digital Laser Disc.

In Europe, and the UK in particular where video cassette recorder sales have been particularly strong, the market for Laser Discs has lagged that in Japan where 1m or one household in 10 has a LD player. Even in the US, LD penetration has reached one in 100 homes.

In the UK, Pioneer, which has doggedly sold digital LD players since the mid-1980s, has now been joined by Sony and Philips which have both introduced new dual-standard PAL-NTSC players in the past few months, which like Pioneer's three models are also capable of playing ordinary music CDs.

Recently, the UK Laser Disc Association has been formed to help promote the benefits and availability of LDs, and there is a steadily increasing catalogue of music and film titles available on LD, boosted by the entry of Sony's Columbia Tristar Home Video subsidiary into the UK market.

About 550 laser disc titles are available in the UK and Mr John Bamford, product information manager for Pioneer, says LD player sales are growing rapidly for the first time, albeit from a low base. The number of players installed in the UK is expected to top 15,000 by the end of the year.

This resurgence of interest in a new generation of LD players comes 10 years after Philips introduced the original LaserVision analogue laser disc player.

In the intervening decade, technology has moved rapidly, increasing the power and complexity of silicon chips and enabling an embryonic multimedia electronics industry to emerge.

Multimedia products destined for the home entertainment market will continue to evolve, whether or not CD-I itself is a commercial success. Now the electronics industry is awaiting the customer's verdict.

Paul Taylor

□ NON-ELECTRONIC GAMES

Monopoly is still leading the field

PURVEYORS of Britain's board games must have blanched at the news of fights breaking out among several thousand youngsters locked out of a computer games exhibition in London earlier this month.

It is not the sort of thing that happens in the staid world of non-electronic games, where Monopoly (circa 1930) remains the number one seller, followed by old rivals Cluedo (circa 1950), Scrabble and the newer Trivial Pursuit.

"The traditional board games offer a good value way of bridging the generation gap and in which all the family can participate," says Mr Alan Thompson, managing director of Waddington Games, makers of Monopoly.

"Computer games are usually designed for single players."

However, the new wave of electronic entertainment has dented the growth in board game sales, although they have held up well in the face of the recession.

New growth areas are generally limited to one-off blockbusters such as Trivial Pursuit

Last year, board game sales grew to £127m from £114m in 1988, with Monopoly selling 300,000 units – and Junior Monopoly an additional 200,000.

New growth areas are generally limited to one-off blockbusters such as Trivial Pursuit, or adaptations from television game shows. Hence healthy sales are expected this Christmas for the likes of "Big Break", "Give us a Clue" and "TV Addicts". Toy executives maintain close contacts with television companies, producing a two-way stream of games linked to TV and vice versa.

Meanwhile, Subbuteo, the table football game, has seen a seven-fold increase in sales in the past six years, mirroring renewed interest in the domestic game. There has also been a flood of games on the "Dungeons and Dragons" theme.

However, a stroll down the aisle of any large toy store reveals hundreds of board games lacking either the pull of television support or the staying power of the established giants. One cannot help but fear a short shelf life for the likes of "Mall Madness" and "Beware the Bog!".

The cost of introducing new games is high, with its success dependent on good distribution. Periphery players also struggle because with two-thirds of sales made in the Christmas period, large amounts of stock have to be held throughout the year. "I think the industry will become centred around fewer players," says Mr Thompson. Experienced toy industry watchers predict a New Year fall-out for some of the smaller manufacturers.

Tomy is one of the few new companies to make in-roads into the UK market

One of the few new companies to make in-roads into the UK market is the Japanese group Tomy, which in the past 10 years has seen its sales grow from zero to £60m.

With no traditional board game as a backbone, Tomy has concentrated on developing activity games with an emphasis on skill and dexterity. "There's nothing more boring than a flat piece of cardboard," says Mr Peter Brown, managing director of Tomy UK. "People, and especially children, want something extra to do while they're playing."

But despite Tomy's efforts to widen the market, the search for the lucrative "new Monopoly" continues to exercise not only some of the great minds of the toy world, but also the British public.

Mr Brown says he receives up to a dozen suggestions a week from the public for new board games. At Waddingtons the number of suggestions regularly runs to a hundred. In the meantime, Monopoly looks likely to live up to its title and maintain its dominant position.

Christopher Price

TV grows in importance as centre of entertainment

WHILE the advent of HDTV is being anxiously promoted by television manufacturers and somewhat less enthusiastically awaited by consumers, the television set is still growing in importance as the centre of family, as well as personal, home entertainment.

While the home video brought an element of greater choice to the TV, that choice is being enhanced further by the availability not only of more programmes through cable and satellite television, but of new forms of media and entertainment such as laser disc, video games and compact disc-based systems.

In the US, there are already moves to provide pay-per-view video directly to consumers at home.

Bellcore, the research consortium for the regional Bell telephone companies, for example, demonstrated earlier this month a way to provide consumers with video-quality movies down the telephone line.

Meanwhile, TV-based consumer electronics products such as laser discs and video games are turning the TV into a multi-media entertainment box used not only to watch broadcast programmes but to enjoy music, video clips, interactive games and interactive sing-along songs, also known as karaoke.

Philips has taken this one step further with the introduction of CD-I (Compact-Disc-Interactive) which combines video, photography, graphics, data, animation and CD-quality sound on a compact disc player hooked up to the TV.

The TV itself may be caught in a slump as a result of a lack of new ideas to stimulate demand and the difficulties faced by both wide-screen television and HDTV in taking off. But demand for entertainment systems using the TV as a screen has never been greater and is likely to continue growing.

Michiyo Nakamoto

Nokia have launched a range of wide-screen televisions featuring a 'zoom' facility

□ TELEVISION

Chicken-and-egg problems

It has been some time since the invention of colour television created a sensation in the consumer electronics world and sent many television enthusiasts out to buy new TV sets.

TV manufacturers are hoping that a new sensation will be created by what is the hottest topic today in the market for television sets: wide-screen high definition TV.

Compared with box-shaped conventional TV sets, wide-screen TVs, as the name implies, have screens that are wider than they are high. The aspect ratio, or the relationship between width and height is 16:9 compared with 4:3 for conventional TVs.

The advantage of the wide-screen format, according to manufacturers, is that it is visually more powerful and provides cinema-quality viewing.

Our field of vision, according to Philips, the Dutch consumer electronics group which has been heavily promoting wide-screen TV, actually encompasses more horizontal information than vertical information and therefore wide-screen is closer to our natural view of things.

Whether or not this is true, the enthusiasm for wide-screen TV in the industry has yet to see equivalent excitement among consumers who have been rather muted in their response.

This is hardly surprising because as yet there are no programmes broadcast in the UK in the 16:9 format. Consumers who buy wide-screen sets must be content with zooming up conventional TV pictures to fill in the screen or make do with pictures with black bands on the sides that make up the extra width in the wide-screen format.

Broadcasters are naturally wary of introducing a new format for which the majority of consumers do not have an appropriate receiver.

The same chicken-and-egg situation faces full High Definition TV (HDTV) which has been hailed as the television event of the decade, if not of the twenty-first century.

While HDTV has only been introduced in Japan where NHK, the public broadcasting corporation, is transmitting a few hours of high definition programming each week, the response has been just as muted as for wide-screen TV.

The problem in the case of the Japanese HDTV project is that the cost of HDTV sets, at several thousand dollars each, is still much higher than what Japanese consumers are willing to bear in order to enjoy better quality pictures.

Europe, meanwhile, faces an entirely different set of obstacles in introducing its HDTV programme, which was somewhat belatedly launched in response to the Japanese challenge.

The first obstacle concerns subsidies for satellite TV broadcasters who will presumably be beaming HDTV programmes based on the European D2-MAC and HD-MAC standard into viewer's homes. Terrestrial broadcasts will use a modified standard called PAL-Plus.

HDTV is not being introduced in Europe until 1994 at the earliest. However, Europe's HDTV programme has been stalled by failure among European nations to agree to help broadcasters make the transition from conventional PAL broadcasts to the new standard.

The European Commission, which is leading an EC-wide HDTV effort, has recognised that the new standard is unlikely to attract consumers unless there is sufficient programming available. It has therefore attempted to obtain European Community agreement on an Ecu850m subsidy for satellite broadcasters, to solve the chicken-and-egg dilemma. Once the programmes are in place, with the help of the subsidy, it reckons demand for HDTV sets should surge.

Not only are broadcasters divided over the merits of the subsidy, but there is disagreement among Community members as to the necessary level of subsidy, with the UK telling the EC Telecommunications Council this summer that it does not see the need for a subsidy at all.

Mr Edward Leigh, Britain's technology minister, said that while the UK supported development of HDTV, "it totally opposed the EC's proposal" to spend Ecu850m on it.

The second obstacle to HDTV in Europe has to do with the HDTV sets themselves.

The unfortunate thing about Europe's HDTV programme is that in order for HD-MAC, the standard agreed within the EC, to provide the better quality pictures that it is supposed to, the TV set has to be fairly large.

The picture quality of a 36-inch HDTV may make it worth the cost to the consumer of switching over to a new set but that would not be true of a 21-inch set, which is the most popular size in the UK, or even the slightly larger TVs favoured in continental Europe.

The problem, however, is that even if the better quality of HDTV managed to raise enthusiasm for larger-sized TVs, these would be extremely heavy, due to the weight of the glass used on the screen. What's more, full enjoyment of HDTV quality depends on sitting a certain distance away from the TV set, and the larger the set the further away viewers should be seated.

While HDTV has been hailed as bringing cinema-like viewing to the living room, it is evident that not very many living rooms could accommodate such a massive piece of equipment as well as provide the required distance between viewer and TV.

To add to Japan and Europe's HDTV woes, the US has opted to adopt a digital advanced television system which would be fundamentally different from either Japan's or Europe's analogue HDTV standards.

The US initiative affects the two other regions in that it has led to cries, particularly in Europe, that they should abandon their somewhat outdated HDTV standards and follow the US lead in going digital.

Digital HDTV would, in addition to providing enhanced picture quality, enable viewers to receive many more programmes than would be available on an analogue system. It would also allow viewers to manipulate programmes and other information they receive via the television and could even allow interaction between viewer and broadcaster by creating a two-way information flow.

The US digital television initiative also provides an important opportunity to form a worldwide television standard that has eluded consumers as a result of reluctance on the part of one region or another to adopt a standard that was developed elsewhere.

If Japan and Europe adopted the digital standard that the US eventually opts for, that would at least be one way in which electronics could bring a large number of people in the world a little closer together.

Michiyo Nakamoto

□ SPORT ON TELEVISION

Writs fly after dirty work at the crossbars

SPORT on television, particularly football, is increasingly a highly competitive and sometimes dirty game.

There were many cries of foul and allegations of skulduggery earlier this year when British Sky Broadcasting teamed up with the BBC to pay £304m for five-year exclusive broadcasting rights to the new Premier League.

Writs started to fly. Mr Greg Dyke, chairman of the ITV Association which had lifted the rugby world cup from what would have been in the past its natural home – the BBC – accused the Corporation of being little more than Rupert Murdoch's poodle over the soccer deal.

At the same time Mr Michael Grade, chief executive of Channel 4, urged the Office of Fair Trading to intervene.

For the viewer there is more choice of sport – but at a price. After feature films, the other main category of programmes attractive enough to persuade people to pay a regular subscription is exclusive sports events.

The unprecedented bid by BSkyB – a consortium in which Pearson, owners of the Financial Times has a significant stake – and a subsequent £75m deal with the Football Association for FA Cup and England's home internationals, has led rival broadcasters to look for competing deals.

ITV has acquired rights to broadcast the Football League apart from the breakaway Premier division and live European cup games involving British clubs. Channel 4, in the meantime, has signed up for live Italian football.

ITV has still managed to retain large audiences with football, despite being outbid for the Premier League.

In the week starting September 28, for example, ITV won an audience of 6.6m with live European football, compared with 5.3m for the BBC's Match of the Day – edited highlights of Saturday's Premier League games.

Channel 4 attracted 2.1m viewers for Italian football and ITV in London had an audience of 700,000 for a live First Division game. BSkyB had an audience of 500,000 for live Premier League.

The apparently small BSkyB audience is, however, misleading.

BSkyB is planning to introduce a pay-per-view system in time for the 1994-95 football season

The Sports Channel is now scrambled so that only those who pay £5.99 a month, apart from discounts, can watch. With more than 1m subscribers, nearly 50 per cent of the possible audience was viewing.

The development for sport on television is pay-per-view: charging for individual events rather than whole channels.

BSkyB is planning to introduce a pay-per-view system in time for the 1994-95 football season and once such systems are in place it will be possible to charge for events such as world title boxing matches.

Cable television is also starting to change the way sport is viewed. During the Barcelona Olympics Videotron, the Canadian-owned company, with cable franchises in south and west London, offered its customers unprecedented choice. The company devoted four entire channels to the Olympics. One was a results service, the other three showed both live and delayed transmissions so that viewers could chose the sports they were most interested in.

Starting with ice hockey, Videotron now plans to introduce sports coverage from different perspectives. Viewers will be able to watch through the lens of a camera behind their team.

Raymond Snoddy

□ VIRTUAL REALITY

Explosion of activity

In Japan and on both sides of the Atlantic the "hot" new subject for high-tech computer whizz-kids is Virtual Reality – or VR to those in the know.

The past 18 months has witnessed an explosion of activity surrounding VR, including heavyweight books on the subject, conferences, seminars and exhibitions and an unexpected cinema box office *hit – The Lawnmower Man.*

Meanwhile, among all the hyperbole, the first practical applications of VR – in the entertainment sector and in other fields – have begun to appear. At the same time VR, and the mostly small start-up companies which have pioneered the technology, are beginning to be taken seriously by big multinational companies, academic institutions and government agencies.

Exactly what constitutes VR is still a matter of fierce debate. VR's roots are in aeronautics and space research and it is a descendant of flight simulators.

Today, VR is generally taken to mean a mixture of computer hardware and software built around complex databases which enable the user to interact with objects in an imaginary 3-D "cyberspace" world.

This can either be achieved using using a "dataglove" fitted with sensors that pick up the real hand's movements and a helmet containing small LCD screens in front of each eye – so-called "immersion VR" – or using an ordinary personal computer, a high resolution screen and a device, sometimes called a "spaceball," to control movement – "desktop VR."

Some VR purists insist that "immersion" VR is the only real VR, particularly for entertainment applications.

However it has some serious drawbacks because using the equipment for more than half an hour can result in a form of nausea called "simulator sickness", and the tiny screens inside VR helmets cannot provide the high-quality images needed for virtual worlds to be convincing.

For "serious" applications, such as architectural or engineering modelling, design testing or process simulation, desktop VR is becoming increasingly popular – helped on its way by tumbling hardware costs and increasingly powerful microprocessors.

Nevertheless, some of the most immediate applications are likely to be in the entertainment sector.

Virtual reality arcade games have begun to arrive and toy industry analysts expect virtual reality versions of home video games to appear in the near future.

Nintendo has already produced a $99 Powerglove, a simple version of a dataglove, which lets video-game addicts play with hand gestures.

Outside the home in the US and elsewhere, leisure groups have plans for VR entertainment centres and theme parks and Japanese electronics groups such as Sony and Matsushita, which also own film studios and theatres, are said to be watching developments closely.

For the moment, VR systems are a lot less sophisticated that most science fiction writers would have the reader believe.

But this, too, will change.

Paul Taylor

☐ AUDIO

Two new formats prepare for battle

THE introduction of two new digital audio formats in Europe this autumn has set the stage for another classic consumer electronics battle – this time in the portable audio market.

Since the introduction of the Sony Walkman 13 years ago, the portable audio market has been dominated by the analogue cassette tape. But while Walkman-style personal stereos and other portable cassette players have conditioned consumers to expect go-anywhere, mostly trouble-free music, the digital Compact Disc player has raised sound quality expectations significantly.

In an attempt to provide portability with high definition digital sound quality, new formats such as Sony's Digital Audio Tape (DAT) have been introduced, but have not proved a great commercial success, and standard CD players have been shrunk in size but have mostly proved too sensitive to movement.

So far none of these options has seriously challenged the conventional cassette tape which remains the most popular format for pre-recorded music. Recently, however, there have been some signs that dissatisfaction with the sound quality, durability and appearance of cassette tapes may be growing.

Sales of pre-recorded cassette tapes peaked in 1989 but fell by 11.5 per cent in 1990 and slipped again last year when 1.3bn pre-recorded cassettes were sold worldwide compared to 1.1bn compact discs, according to the London-based International Federation of the Phonographic Industry. This year the IFPI is predicting that compact disc sales will overtake cassette tape sales.

Consumer electronics companies believe that with pre-recorded cassette tape sales slipping, the market for portable audio equipment built around conventional tape players, estimated to be worth nearly $10bn in the leading industrialised nations alone, could be at risk. This helps to explain the determined effort which is now underway to define a new digital standard for the portable audio market.

Leading the assault are Philips, the Dutch consumer electronics group, and Japan's Matsushita, with the Digital Compact Cassette (DCC), and Sony with the rival 2.5-inch MiniDisc (MD) – a scaled-down and re-engineered version of the conventional compact disc.

The two new formats have many similarities and technically are fairly well matched. However there are also some significant differences. Both the DCC and the MiniDisc promise to deliver crisp, clear CD-quality portable digital sound, without annoying "sound skipping", the jogs and jumps that can occur with conventional portable CD players.

The DCC tape and the MiniDisc are both enclosed in protective cases

Both formats can also be used to record CD-quality sound, although sophisticated electronics have been built into the players to ensure that only one copy of digital source, such as a CD, can be made. An extra track on a DCC tape holds pages of text in a teletext-style form. This can be used to provide a biography of the composer, album title, song title and artist – or even display Karaoke-style synchronised lyrics on a TV screen, or on the LCD display of a remote control.

The DCC tape and the MD are both enclosed in protective cases for easier portability, and both players achieve miniaturisation by using new technology to compress digital data.

Probably the main advantage of DCC equipment is that it can also play a traditional cassette tape, which means the music enthusiast will not have to abandon old cassette tapes. Philips sees DCC as eventually replacing the conventional cassette tape. However, this also means DCC players will never be smaller than the smallest Walkman-style machine.

Sony's MiniDisc player is smaller, giving it an edge in terms of portability, and has the ability to skip from any one track to another very rapidly, like an ordinary CD. Sony believe this random access feature is something customers want more than backwards compatibility with earlier portable formats – the Japanese group points out that standard CDs have largely replaced the vinyl LP even though the two formats are wholly incompatible.

Initially prices for equipment capable of playing the new formats are likely to be considerably higher than those for conventional audio cassette players. But the basic digital technology has been proven and tested in earlier CD players and prices should fall quickly as volumes rise.

Similarly, the new digital tapes and MiniDiscs will retail at prices similar to existing CDs – prices which are themselves coming under increasing scrutiny in Britain.

Sir Bryan Carsberg, the new director-general of Fair Trading, has ordered a fresh investigation into why CD prices in the UK are so high even though an earlier 15-month study undertaken by Sir Bryan's predecessor found no evidence that record companies were breaching competition law.

Some analysts believe the two new digital formats will both be able to coexist, but most within the industry believe that, as with most other consumer electronic devices such as video, there is likely to be only one winner.

Which of the two formats does emerge as the most successful probably depends as much on marketing as anything else. Both DCC and MD offer significant technical advantages over earlier formats but, as Sony's Betamax video format proved a decade ago, technical superiority does not itself guarantee success.

Hi-fi innovation: Revox's Evolution features DCC technology, has 150 watts output per channel, can be controlled and listened to from any room in the house – and has no wires or buttons

The early availability of "software" in the form of pre-recorded music could also prove critical in the battle for supremacy, and in theory the DCC camp should have had a key advantage because the format was formally launched last month, well ahead of Sony's MD players.

Philips had said there would be about 500 titles ready for the October launch in the UK, but in the event delays meant that, as in Japan, the hardware went on sale before the tapes. Nevertheless, Philips, which is spending £2m in Britain alone on a pre-Christmas advertising blitz to promote DCC, has forecast that despite the initial hiccup, more than 1,000 titles from most of the big international record companies supporting DCC will be on sale by the end of the year.

For both Philips and Sony, the stakes in the portable digital audio battle have been raised even higher by the business difficulties they currently face. Philips is in the middle of a group-wide restructuring programme aimed at slimming operations and raising efficiency and profitability while operating profits from Sony's worldwide consumer electronics business fell sharply last year.

Both companies are therefore in dire need of a new hit product. But while the hardware battle between DCC and MC digital formats is likely to dominate the portable consumer electronics industry in the immediate future, other methods of delivering digital-quality sound could herald an even bigger shake-up in the delivery of high-quality digital music by the late 1990s.

DAB has several key advantages over conventional analogue broadcasting

The arrival of digital audio broadcasts (DAB), which is being pioneered in Europe, could enable consumers equipped with suitable receiving equipment and a digital recording device like DCC or MD equipment to make their own CD-quality recordings direct from the airwaves.

DAB has several key advantages over conventional analogue broadcasting such as FM radio. The main benefit is that the high quality sound of DAB, unlike conventional FM radio, is effectively free from interference and provides excellent reception even when the receiver is mobile. DAB also eliminates the problem of having to re-tune car radios because, unlike conventional radio, separate transmitters can broadcast on the same frequency.

A further important advantage of DAB is that it occupies relatively little space on the radio spectrum. By packing broadcast information tightly together DAB can provide a six-fold improvement in spectrum efficiency over FM. That means it is possible to increase the number of radio stations without congesting the radio waves. While each FM network needs 2.2 megahertz of spectrum to provide coverage to 98 per cent of the UK population, a DAB service could pack five national stereo channels in 1.75 MHz.

To use DAB, consumers will need to buy a new type of programmable digital radio built on computer chip technology. Although the cost of these new digital radios will initially be higher than conventional receivers, there are an estimated 2bn radios currently in use around the world and manufacturers could therefore look forward to a huge replacement market, and very significant economies of scale.

In Europe, digital radio systems are being tested in France, Germany and Britain where the UK government has signalled its support for DAB and urged UK manufacturers to be first into the market. NHK, the Japanese public broadcaster, has also hailed the European DAB system. The prospects seem less rosy in the US, however, where small regional radio stations are resisting the introduction of expensive new technology.

In Europe it is likely that frequency bands generally used by television will be opened up as temporary "parking" bands for terrestrial DAB services to be run in parallel with FM until sufficient receivers have been installed to make the full switch from FM to digital services. In the UK, the first DAB car radios are expected to be introduced as early as 1995, with other sets likely two years later.

However, as with the fierce debate which preceded the launch of the new digital recording formats, the thorny issue of copyright protection for music distributed over DAB or cable systems, and then copied on to tape or disc by subscribers, has yet to be addressed.

Paul Taylor

☐ VIDEO GAMES

Spectacular growth as Europe catches fever

WHILE the consumer electronics industry as a whole has been suffering from a dearth of new products to whet the appetite of increasingly sophisticated consumers, the video games market has been enjoying spectacular growth and the fever is far from abating.

The video games market has grown over the years into a $14bn industry and is increasingly attracting the attentions of large consumer electronics manufacturers, which are suffering from sluggish demand in their traditional markets.

The appeal of the video game compared with television or music, is that it is active and interactive, says Mr Chris Anderson, managing director of Future Publishing, which publishes specialist magazines for video game fans.

Japanese and American consumers have been under the spell of Nintendo's *Super Mario II* game for several years now, with Nintendo regularly appearing on the charts of most popular toys.

Europe has been somewhat slower to catch the video games fever but having taken both Japan and the US by storm, Nintendo and Sega, its main competitor, are currently replicating their success in Europe.

Sales in the UK are expected to nearly double from about £550m to $1bn next year.

The appeal of video games is not limited to their games contents. The synthesized music that accompanies *Super Mario* games and *Tetris* have been in the pop charts and recording companies are said to be looking at the games industry as a source of added revenue.

Meanwhile, Mario will become the hero of a film to be released next year featuring Bob Hoskins.

While the growing European market has helped maintain a strong worldwide rise in the video games market, it is inevitable that once markets mature interest will die down.

However, fierce competition between Nintendo and Sega, the two leading forces in the market, is fuelling innovation in both hardware and software that has kept interest strong.

By continually developing new technology and new games titles the two have been able to defy sceptics who say that the fad for what, after all, is just a game, is bound to die sooner or later.

"If there wasn't any evolution in hardware, the software available would inevitably become boring," says Mr Philip Ley, marketing director of Sega Europe.

Sega's drive to break Nintendo's pre-eminence in the market has led it to be the first to introduce two of the latest state-of-the-art formats which are keeping sales surging.

Sega was the first to introduce more powerful 16-bit technology in its Mega Drive [known as Genesis in the US], which allows faster and more realistic games to be played than on the previous generation of 8-bit machines.

It has also taken the lead in introducing a system based on compact discs, which takes game-playing a significant leap forward by bringing increased information storage capacity, quality digital sound, stunning graphics and realistic motion video to the screen.

Amid much fanfare, Sega announced the launch of a CD-ROM attachment which can be connected to the Mega Drive to play games on CD rather than conventional cartridges and demonstrated its potential on an enormous 750 sq ft screen in New York's Time Square.

Nintendo, meanwhile, has announced that it will also be launching a CD-ROM system. Together with Sega's announcement, it also confirmed expectations that the future of video games lies with CD-ROM. "Games will undoubtedly move to CD-ROM," says Mr Bob Tomalski of What Video, an industry magazine.

The disc format provides greater speed and that is what video games fans want.

Another attraction of CD-based games is that because CDs are capable of storing a much larger amount of information, and thus detail, the quality of the visuals is much better than in cartridges.

Using CD-ROM also opens up the avenue to multi-media, the combination of digital quality sound, graphics, still photography and moving video, thus taking game-playing onto another level of interactivity.

In addition to graphics, the Sega CD-ROM games will use what it calls "true video," or video that is close to television quality.

Software using footage from well-known films such as *Batman Returns* which will involve the player in fights with the Penguin as played by Danny de Vito, is in the pipeline – as are music games that allow players to make their own music videos using film from the live concerts of popular bands.

Sega has invested $5m in Sega Multimedia Studio in Redwood, California, where it will produce not only computer-generated animation but also original movies for its interactive games.

It is working side by side with producer Steven Spielberg filming on the set of his next film to produce a game that will be released at the same time as the film.

Sega's aggressive move into new technologies is essential for it to gain what market share it can from Nintendo and keep its rival on its toes.

For consumers, the battle between the two giants which keeps the search for quality games and newer and better technology going, should be good news.

However, by moving into CD-ROM, Sega and Nintendo are treading on dangerous territory. There are already many computer games based on CD-ROM widely available, most notably Commodore's Amiga games which already have a strong installed base in some countries and sales equivalent to Nintendo or Sega in the UK.

Philips, meanwhile has introduced a CD-based entertainment system and the wide variety of CD-based products available could create market confusion.

As the technology improves, "you eventually get into the realms of virtual reality (VR)," says Mr Ley.

When that happens, although it may be difficult to imagine today, we may very well no longer be tapping away at games consoles but donning a VR helmet with sensor pads attached to our eyelids and temples to enjoy a virtual trip through space cities and fight intergalactic wars with our minds rather than our fingers.

Michiyo Nakamoto

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INSIDE

Lufthansa in profit but sees red ink

Lufthansa, the struggling German airline, yesterday reported a profit for the third quarter but warned that it would revert to losses in the final three months of 1992. The company said that in September it made its first monthly profit this year. **Page 18**

NAB and subsidiaries fall

National Australia Bank (NAB), Australia's biggest and most profitable bank, reported a fall *of 6.3 per cent in net profits for the year to the* end of September. **Page 19**
Yorkshire Bank, a subsidiary of National Australia Bank, reported a 40 per cent drop in pre-tax profit in the year to September 30. **Page 24**
Clydesdale Bank, the Glasgow-based subsid*iary of National Australia Bank, saw its pre-tax* profits fall by £5m to £59m for the year to September 30. **Page 24**

Another US airline puzzle

The question bouncing around Wall Street's junk bond desks, is "Just how bad is the financial situation at Northwest Airlines?" Analysts are trying to work out whether yet another US carrier is headed for the bankruptcy courts. **Page 20**

All change at Daiwa Securities

Daiwa Securities announced a net profit of zero for the first six months of 1992, cut its *graduate intake by 40 per cent and launched* a campaign for staff to "Do My Best" in encouraging investors to use the broker's services. The reforms reflect the upheaval in a securities industry which has begun to give up hopes for a rapid return to the free-spending days of the late 1980s. **Page 21**

Halcyon days end

Mr Vladimir Horlunov, until this week the top oilman in Ukraine, had achieved a lifestyle few of his countrymen can imagine. But Mr Horlunov was often absent from his office at Ukrnaftokhim, travelling frequently to the UK. This week, those halcyon days ended, as Mr Leonid Kuchma, prime minister, disbanded Ukrnaftokhim and fired its senior directors. **Page 32**

Interest rates depress Istanbul

Dashed hopes on inflation and high real interest rates have given Turkish equities a miserable year, but if one thing can be said with confidence it is that they have probably never been cheaper. **Back Page**

AT&T plans finance float

AT&T, the US telecommunications company, announced yesterday that it is planning to float 15 per cent of its equipment leasing and finance subsidiary, AT&T Capital, as part of a strategy to give the unit greater financial independence from the parent group. **Page 20**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz	2004	+	23
Allianz Ind	535	+	22
Holzman Ph	915	+	10
Kaufhof	456	+	11.2
Falls			
Bil & Berger	867	−	33
Linde	692	−	9

NEW YORK ($)

Rises			
Am T & T	47	+	$\frac{1}{8}$
Campbell Soup	43$\frac{5}{8}$	+	1$\frac{3}{4}$
Owens-Corning	30$\frac{3}{4}$	+	1$\frac{1}{4}$
Transamerica	45	+	1$\frac{3}{8}$
Falls			
Morgan Stanley	53	−	$\frac{1}{8}$
Nat Computer	14$\frac{1}{2}$	−	2$\frac{3}{8}$

New York prices at 12.30pm.

PARIS (FFr)

Falls			
Chargeurs	1216	−	30
CSP	957	−	31
Cogill	309.5	−	26.5
Peugeot	505	−	18
Saint Louis	1089	−	17
UAP	402.1	−	14.4

TOKYO (Yen)

Rises			
Daiichi Housing	250	+	30
Japan Casting	250	+	33
Nichiboshin	240	+	39
Saeki Kensetsu	400	+	45
Shinko Sangyo	248	+	38
Falls			
Asia Air Survey	2070	−	280

LONDON (Pence)

Rises			
Albert Fisher	53	+	5
British Steel	50	+	2$\frac{1}{2}$
Donline Prntg	410	+	15
Evode	91	+	19
Filofax	63	+	5
FstSpanishIT	57	+	5
Gen Accident	579	+	19
Hardy Oil	122	+	5
Heath (CE)	308	+	11
Leigh Ints	186	+	15
Meyer Intl	264	+	16
Mirror Group	83	+	4
NSM	55	+	15
Norcros	128	+	8
Penna	225	+	19
Sheriff	88	+	18
Telegraph	313	+	12
Union Discount	98	+	25
Yorks Chems	340	+	18
Falls			
ACT	148	−	9
Blagden Inds	144	−	59
Euro Disney	845	−	55
ICI	1013	−	24
Wassall	163	−	15

Volvo reports SKr707m loss in first nine months

By Christopher Brown-Humes in Stockholm

VOLVO, the Swedish motor vehicle group which has substantial cross-shareholdings with Renault of France, reported a SKr707m ($116m) loss after financial items for the first nine months of 1992.

Demand for cars and trucks in key markets declined, more than offsetting the benefits of its rationalisation programme. The result compares with a SKr1.27bn profit for the same 1991 period.

Sales climbed to SKr58.8bn *from SKr55.5bn, although,* excluding acquisitions and divestments, they were down by 1 per cent. The operating loss climbed to SKr1.52bn from SKr1.25bn.

In the third quarter, the group incurred a loss after financial items of SKr604m, compared with a SKr119m profit a year ago. The operating loss was marginally down at SKr683m from SKr697m, thanks to reduced losses from the company's car operations.

Earlier this month Volvo announced plans to close two of its three Swedish car plants and shed 4,500 jobs as part of a continuing rationalisation programme. The group says it has already cut annual costs by SKr4.3bn since 1990.

Car sales revenue rose 3 per cent to SKr31.6bn in the first nine months, although only 228,900 vehicles were sold, compared with 238,200 a year ago.

The truck division also reported a loss for the period, although it was profitable in the first nine months of 1991. Truck sales were down to 35,600 from 38,400, continuing the trend of the last five quarters. The company warned that increased demand in North America this year would not offset the overall downturn, mainly in Europe.

The group said Sweden's decision to float the krona yesterday would have a negative short-term impact on its result, because of forward contracts, but would provide a longer term boost to its export performance.

In contrast, Renault, the French state-owned car group, more than doubled pre-tax profits to FFr7.51bn ($1.39bn) for the first nine months of 1992, up from FFr2.9bn a year ago. The result was achieved despite a FFr478m charge for Renault's share of the Volvo losses.

Renault attributed the upswing to gains in market share by cars, lower financing charges and reduced losses at Mack, the group's US trucks business. Cars represented 84 per cent of group sales of FFr122.2bn − up 10.7 per cent − and trucks 14 per cent.

O&Y revised plan allows creditors to seize buildings

By Bernard Simon in Toronto

OLYMPIA & York, once the world's biggest property developer, is likely to shrink to a modest-sized property manager during the next few months under an agreement hammered out with its creditors.

In return for an eight-week postponement of votes on a contentious debt-restructuring plan, the Reichmann family, O&Y's owners, have agreed to allow creditors to seize collateral after January 15 and not to obstruct their efforts in the US courts.

Among the assets which are almost certain to be seized are First Canadian Place, O&Y's 72-storey flagship in Toronto, and Scotia Plaza, a modern 68-storey building nearby.

A spokesman for one group of creditors said that "by the middle of January, we should have our building unless someone wants to buy our debt". O&Y has already lost control of Canary Wharf in London's Docklands and some of its properties in New York, including 55 Water Street, the world's biggest office building.

The Reichmanns' latest humiliation came after fierce opposition to a debt-restructuring proposal presented by O&Y last month. The opposition was led by Canadian banks and bondholders with claims secured by specific buildings, who were confident they would be better off seizing their collateral than agreeing to the concessions proposed by O&Y.

Under this week's agreement, expected to be approved by an Ontario court next Monday, O&Y must file a new restructuring plan for its 34 creditor groups by December 15, with votes to be held no later than January 15. A lawyer for one group of creditors said "the revised plan will in effect be a liquidation".

Creditors cited several reasons for agreeing to go through with the votes rather than pressing for immediate liquidation. Most prefer that the whole process should take place under court supervision. They also see advantages in a new Canadian bankruptcy act which takes effect at the end of this month.

The delay will also give O&Y an opportunity to conclude ownership or management deals on some of its smaller buildings. Negotiations on its 25 remaining US buildings are continuing.

Separately, Gulf Canada Resources, an oil and gas producer which is 75 per cent owned by O&Y yesterday cancelled a C$175m (US$139m) equity issue "due to prevailing market and economic conditions".

BASF declines 45% in nine months and sees slower growth

By Christopher Parkes in Frankfurt

PRE-TAX profits at the German chemicals giant, BASF, tumbled 45 per cent to just over DM1bn ($600m) in the first nine months, and the situation is worsening, according to Mr Jürgen Strube, group chairman.

"Trends in important markets suggest that growth will become even slower, and that this pattern will continue into next year," he told a press conference yesterday.

Confirming further job cuts of at least 2,000 next year, Mr Strube said that in October the group's average selling prices were 8 per cent lower than a year earlier. Volume sales were also starting to fall, and order books last month were 15 per cent down on October 1991.

The effects of the international recession and the more recent downturn in Germany showed up in a 2.5 per cent fall in group sales to DM34.2bn for the period under review.

Pre-tax profits, down 25 per cent in the first quarter, 37 per cent at the half-year, have now hit a 10-year low as a proportion of sales.

Problems facing the group in 1993 included the slow-down in the vehicle industry, highlighted yesterday in Daimler-Benz's fading profits.

Currency fluctuations, notably the appreciation of the D-Mark against the dollar, were having a marked effect, and worldwide surplus capacity was depressing prices, Mr Strube added. Government-imposed health spending cuts, expected next year, are also likely to hit the group's drugs business which is one of the few still showing satisfactory sales and earnings.

The company also faces the prospect of massively increased costs to meet the requirements of environmental legislation either implemented or planned. Mr Strube, a regular and vigorous critic of Germany's environmental policies, claimed these would cost the group DM700m in capital spending and add DM400m a year to operating costs at its main base in Ludwigshafen alone.

Efforts to counter the downturn − sales of the US rayon fibre business and disposal of oil and gas operations and the Elastogran motor components works in Worms, plus job cuts − will be followed by more. These include closing unprofitable German oil fields and short-time working in potash plant hit by falling farm demand.

Alice Rawsthorn on troubles at the theme park

Euro Disney incurs loss but pays dividend

EURO DISNEY, which has been clouded by controversy ever since opening its lavish Euro Disneyland theme park in April, yesterday confirmed analysts' gloomy predictions by announcing a loss for last year.

The results, the first annual figures to be published since Euro Disneyland's launch, reveal a loss of FFr188m ($35m) on overall revenue of FFr8.45bn for the year ended September, which includes nearly six months of the park's operation, against net profits of FFr248.7m in the previous year.

The immediate outlook is little better.

Euro Disney warned of further losses for this year.

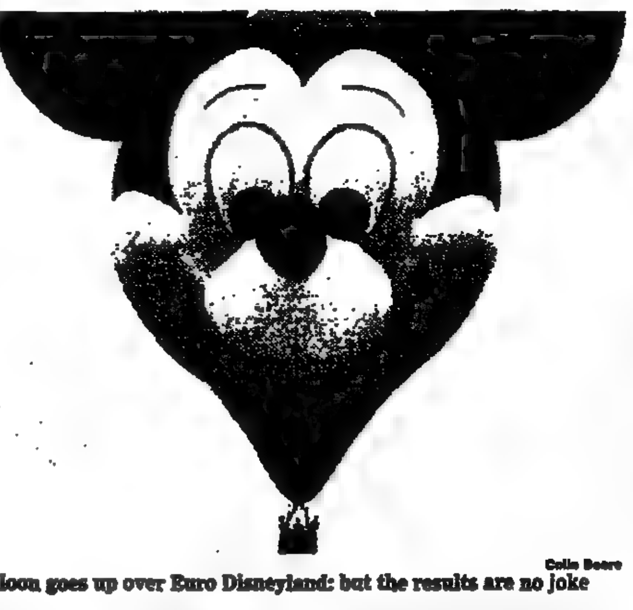
Euro Disney has long since lost its star status on the stock market and the investment community's expectations of it are at a low. Its shares, which soared to a peak of FFr164 before the opening of the theme park, yesterday fell FFr5 to FFr68.

Analysts had been bracing themselves for far heavier losses. The news that Euro Disney plans to pay a dividend − albeit a token FFr1 − was well-received, as was the announcement that it has reached agreement with Disney, its US parent, to relax the terms of their financial arrangements.

Disney will waive its "management fee" of 3 per cent of total revenues for 1992 and 1993 − thereby forfeiting FFr114.6m of the FFr3.82bn park and hotels revenue in 1992 − and will postpone repayments until Euro Disney is profitable.

The crux of Euro Disney's problems is that attendance at the park and hotels has been lower than expected. Euro Disney, like its US parent, is notoriously loath to disclose financial information.

However the park attracted 6.8m visitors between the opening and September 30. This suggests, as Mr John Forsgren, finance director, conceded, that it is on course for a total of 10.5m visitors in its first year of operation, rather than the initial target of 11m.



Colin Beere
Balloon goes up over Euro Disneyland: but the results are no joke

The level of hotel occupancy at 73 per cent is also, according to Mr Forsgren, "several points" below expectations.

This shortfall is partly the product of the sluggish economic environment. Euro Disney did, after all, finalise its financial plans before its 1989 flotation in more clement conditions.

The change in the economic climate has also added FFr200m to Euro Disney's annualised interest bill, due to the rise in French real interest rates, and temporarily scuppered its plans to develop the land around the park.

However Euro Disney has also been affected by its failure to adapt the formula of its US theme parks to meet the needs of the European market. Mr Forsgren said it was attempting to address this issue. It has improved facilities for coaches (more popular in Europe than the US) and made its marketing more explicit to try to cut down on crowding.

Euro Disney is also changing its merchandise mix to include more classic Disney character items and adding more points-of-sale. Similarly it is trying to cut staff (the biggest area of variable costs) mainly by retraining central employees to work in the park.

Meanwhile the economic climate has worsened. The currency crisis has strengthened the franc, notably against the pound and the lire, making it much more expensive for the British and Italians − respectively 20 per cent and 10 per cent of the park's visitors − to go to Euro Disneyland.

"This will be a difficult year, although we do expect to see some improvement in attendance" said Mr Forsgren. "As for when we will move into profit − I do not want to make any projections about that."

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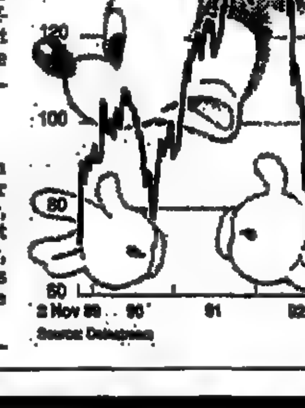
Euro Disney



Walt Disney improves by 29%

WALT DISNEY yesterday posted a 29 per cent improvement in fourth-quarter net income to $223.7m, on revenues which rose 21 per cent to $2.08bn, writes Karen Zagor in New York. A year earlier, Disney had net earnings of $174.1m. For the full year, Disney had net income of $816.7m, up from $636.6m. In contrast to Euro Disney, operating income from Disney's domestic theme parks and resorts soared 44 per cent in the quarter to $213.9m on revenues which rose 30 per cent to $806.2m.

British Gas books £282m loss in quarter

By Deborah Hargreaves in London

BRITISH GAS showed yesterday how far it is coming under pressure from increased competition and a cap on domestic gas prices when it reported a pre-tax loss of £282m ($432m) for the third quarter which was higher than many in the City of London had expected. Mr Cedric Brown, British Gas chief executive, said he was disappointed with the results: "What they demonstrate is the squeeze we're in is continuing."

In the same period last year, warmer-than-normal weather had led to a pre-tax loss of £318m. The effects of colder weather this year have been more than offset by price controls beginning to bite and the rise of competition in the industrial gas market.

The company said that 42 per cent of the firm contract market for gas − about half of the entire industrial market − is now supplied by rivals. British Gas has been forced to lower its prices to domestic gas consumers twice by pressure from the regulator.

In the first nine months of the year, British Gas saw profits slip to £533m from £989m in the previous year. Analysts have now cut their forecasts for the company's full-year earnings to a range of between £850m and £950m, compared with £1.2bn last year.

The company is looking to its exploration and production business for future growth although it has retreated from its goal of achieving 40 per cent of its profits from this division by 1999.

The company's shares were little changed by the results yesterday when they moved up slightly from 279p to 279.5p.

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Daimler in reverse in third quarter

By Christopher Parkes in Frankfurt

THE sudden reversal of fortunes at Daimler-Benz, Germany's biggest company, showed up yesterday in an 8 per cent fall in net profits to DM1.27bn ($790m) for the first nine months of this year.

Profits fell by half in the three months to the end of September. The downturn followed increases of 14 per cent in the first quarter and 16 per cent at the half-way mark and was attributed to "unexpected difficulties" in the vehicles divisions.

Markets had been prepared for the bad news after an informal announcement last weekend that net earnings for the full year were likely to fall by almost a quarter to DM1.5bn. Traders said the results were not as bad as expected and Daimler shares closed up DM6.30 at DM544 in Frankfurt.

Sales in the nine months under review rose less than 2 per cent to DM70.18bn, with the US showing a relatively strong 11 per cent increase. The company said further developments in this important market would depend largely on the recession and the value of the dollar against the D-Mark.

Mercedes-Benz, the vehicles business which produces more than two-thirds of group earnings, reported a 9 per cent increase in US car sales even though the market was stagnant. However, home market deliveries slumped 15 per cent, and in the rest of western Europe, only Britain, Spain and Portugal showed improvements.

Domestic commercial vehicles sales, which had improved by 8 per cent after the first six months, were down 4 per cent in the third quarter.

Sales in the rest of western Europe have fallen 7 per cent so far this year and worldwide deliveries are 4 per cent lower.

AEG, the electrical and electronics division, was helped by a 60 per cent rise in rail systems business to produce an overall 8 per cent sales increase.

Deutsche Aerospace, which has been hit by recession and defence spending cuts, reported a slight fall in sales to DM11bn, but expects the full year figure to reach DM15bn.

The Debis computer and financial services branch, by contrast, continued to expand. Total revenues rose 31 per cent in the review period to DM5.6bn.

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Opposition to Sugar's bid for Amstrad grows

By Paul Taylor in London

THE controversial £113m ($170.6m) bid by Mr Alan Sugar for the 65 per cent of Amstrad, the UK electronics consumer company, he does not already own faces growing opposition from small shareholders.

Mr Gideon Fiegel, founder of the Amstrad Shareholders Club – an informal committee of disgruntled shareholders who believe the 30p a share offer price for the electronics group is inadequate – claimed yesterday the club speaks for "more than 25m shares", or about 4.3 per cent of Amstrad's outstanding equity.

Mr Fiegel said he is hopeful that the club will be able to muster the 93.9m shares – a quarter of the shares Mr Sugar does not already own – required to block the bid to take Amstrad private again.

On the basis of Amstrad's share register, he estimates that about 31,000 small shareholders control roughly 330m Amstrad shares.

Institutional investors, each with less than a 3 per cent stake, are thought to control about 146m shares.

The shareholders' committee, which met earlier this week, has also appealed for institutional investors' support.

The Amstrad board and Kleinwort Benson, its financial advisers, are preparing for what promises to be a stormy annual meeting in London on Tuesday and an extraordinary general meeting which has been called for December 10 to discuss the bid.

The board, which is precluded by takeover rules from advising shareholders on the bid because it has no non-executive directors, is expected to issue a letter to shareholders after the general meeting in an attempt to clarify what are seen as "certain misunderstandings".

Wassall launches £94.3m bid for Evode

By Roland Rudd in London

WASSALL, the mini-conglomerate run by former Hanson executives, yesterday launched its biggest hostile bid to date with a £94.3m ($142.39m) offer for Evode, the chemicals and plastics group. Mr Andrew Simon, Evode chairman, said he would fight the bid "tooth and nail" and urged his shareholders to reject the offer.

Wassall's cash offer of 80p per Evode share, compared with Wednesday's closing price of 72p, values the shares at £58.2m. Evode's shareholders have been offered share and cash-and-share alternatives.

The conglomerate is offering 85 new convertible preference shares for every 100 Evode convertible preference shares. This values each Evode convertible preference share at 88.5p compared with Wednesday's closing price of 75.5p, pricing all of Evode's preference shares at £36.1m.

Wassall's shares yesterday closed 15p down at 183p. Evode's shares rose 19p to 91p.

The conglomerate bought 3.5 per cent of Evode from Scottish Amicable at 80p a share.

Wassall is financing its deal with a three-for-five rights issue at 150p per share to raise £103m, net of underwriting commissions. It will be payable in two instalments, the second conditional on the success of the offer.

Hanson, the Anglo-US conglomerate, which holds 8 per cent of Wassall, is to take up its rights. The right issue is structured in stock units of 150p each which convert into Wassall shares.

Wassall is forecasting an increase of more than a 60 per cent in pre-tax profits, for the year ending December 31 and a final dividend of 1.7p.

The North American plastics operations helped Evode increase pre-tax profits from £8m to £8.8m for the half year to March 28. There was a retained loss of £1.1m after paying dividends.

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Mercury helps C and W to 8% rise

By Hugo Dixon and Roland Rudd in London

CABLE and Wireless, the international telecommunications group, reported an 8 per cent increase in pre-tax profits for the six months to the end of September on the back of a strong performance by its UK subsidiary Mercury Communications.

Group profits rose to £378m ($570m) from £351m while turnover increased to £1.74bn from £1.57bn.

Mercury's trading profit rose 36 per cent from £69m to £94m while turnover grew 29 per cent from £438m to £567m. This was largely because market share increased at the expense of its main rival British Telecommunications.

Lord Young, C and W chairman, also revealed yesterday that the group would be interested in establishing a "trans-border Mercury" in mainland Europe if the European Commission opens up the region's largely monopolistic telecommunications market.

Such a move could eventually account for investment on the same scale as C and W's £1.7bn investment in Mercury.

"Telephone prices in Europe are far higher than those in the UK, so you instinctively know there is a [business] case", said Lord Young.

Mr Mike Harris, Mercury's chief executive, described Mercury's results as a "truly tremendous performance in a recession".

Mercury carried a daily average of 9.7m calls during the period, a 52 per cent increase compared with the same period last year. At the end of September, Mercury had an order base of 897,000 lines, 39 per cent more than last year.

Mr Mike Harris, Mercury's chief executive, was bullish about the future following Mercury's alliance last week with BCE, the Canadian telecommunications group.

He predicted that price competition would continue to be vigorous but not to the same extent as last year when BT cut its international prices by 10 per cent.

Mercury is also hoping to boost its share of the residential market with the introduction of "easy access", which will make it simpler for customers with BT lines to use Mercury's long-distance service.

Other parts of C and W grew less strongly. Trading profits for the Asia and Pacific region, made up largely of Hong Kong Telecom, grew 5 per cent to £251m from £240m.

Mr Rod Olsen, finance director, said profits were reduced by the rise in the US dollar against sterling. He expects the recent devaluation of sterling to have a beneficial impact.

Earnings per share increased 4 per cent to 18p from 17.3p and the dividend rose 12 per cent from 4.25p to 4.75p.

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Third-quarter profit at Lufthansa

By David Waller in Frankfurt

LUFTHANSA, the struggling German airline, yesterday reported a profit for the third quarter but warned that it would revert to losses in the final three months of 1992.

The company said that in September it made its first monthly profit this year, and that total pre-tax losses for the first nine months were DM262m ($164m), down from a first-half loss of DM542m, meaning that it made a profit of DM280m in the third quarter.

The improvement was less due to business fundamentals than to the effects of an accounting change, the company said. In September the airline announced that it would switch to a less conservative depreciation policy for its aircraft and it said yesterday that this was the main reason for the better result.

The airline said that it achieved a significant increase in passengers carried and a further reduction in the rate of cost increases during the third quarter. Sales for the nine months rose 4.7 per cent to around DM11bn while the number of passengers climbed sharply, by 14 per cent to 20.8m.

However, it warned that conditions in the industry continued to be bad, with prices under pressure because of intense competition. Another negative factor was the appreciation of the D-Mark. This had hit profits by DM254m in the nine months and by DM142m in the third quarter alone.

Lufthansa said that the figures gave no reason to relax the current campaign to cut costs in all areas of the business and that it was too early to say that the company had turned the profits corner. For seasonal reasons, the fourth quarter usually brought a loss, the company warned.

Under the accounting change, Lufthansa will write-down aircraft over 12 years to a residual value of 15 per cent. As a result, the annual depreciation will fall from 9.5 to 7.1 per cent.

Metallgesellschaft disappoints

By David Waller in Frankfurt

METALLGESELLSCHAFT, the German mining and industrial group, yesterday reported 1991-1992 pre-tax profits down by nearly a quarter and signalled its gloom about the future by saying that it is proposing a dividend cut from DM10 to DM8 per share.

Group profits for the year ended September sank by 28 per cent to DM245m ($153.3m), the second consecutive year that the profits have fallen sharply against a background of falling metals prices. Last year profits sunk 35 per cent from DM483m in 1990, but the dividend was maintained.

Turnover rose by 20 per cent to more than DM20bn, the increase reflecting the company's purchase late last year of businesses from Stora of Sweden, mainly Buderus and Dynamit Nobel.

Excluding these acquisitions, turnover rose by three per cent.

Mr Heinz Schimmelbusch, chief executive, blamed the downturn on a combination of factors which hit the metals businesses especially hard. These included falling prices, the adverse effect of currency movements and the costs of upgrading facilities to make them more friendly to the environment, he said.

The figures imply a sharp downturn in the second half of the year, since at the six month stage profits were flat at DM182m with the company expecting satisfactory figures for the full year despite difficult conditions.

Yesterday Mr Schimmelbusch said that profits for the current year were likely to remain at around the same level as in 1991-92.

He defended last year's acquisition from Stora, which cost DM1.45bn.

The businesses were performing extremely well and there was no way that this had put Metallgesellschaft under financial strain: net indebtedness was nil, he said.

Audi plans to shed 10% of workforce

By David Waller

AUDI, the quality car division of Volkswagen, yesterday became the latest in a line of large German companies to announce large-scale lay-offs in response to rapidly deteriorating business conditions.

In a short statement, Audi said that it was planning to reduce its workforce by 3,000-4,000 people next year. This is about 10 per cent of the 37,500 people currently employed by the group.

The move follows similar drastic measures from other car manufacturers, including Daimler-Benz which this week announced plans to cut 40,000 jobs by the end of 1994, mainly in its Mercedes-Benz car subsidiary. Porsche, the sports car company, is cutting its workforce by almost a quarter.

Audi blamed the move on the outlook for the economy, which would be much worse next year. The group said it was necessary to take these structural measures in order to remain competitive in international markets and to increase productivity further.

It said discussions over the way in which the jobs would be cut were under way. Factories in Ingolstadt and Neckarsulm would bear the brunt of the job losses.

Ericsson's nine-month sales slide

By Robert Taylor in Stockholm

ERICSSON, the Swedish telecommunications group, made a pre-tax profit of SKr63m ($10m) for the third quarter of the year. This contrasts with a SKr268m loss for the same period of 1991 and a SKr442m pre-tax profit for the second quarter.

Sales rose slightly in the third quarter to SKr9.71bn from SKr9.57bn. For the nine months ended September, net sales dropped by 6 per cent to SKr30.02bn. Ericsson blamed this on continuing low investment volumes in important markets like Spain and the divestment of its cable and telephone operations in Latin America.

The company reported 22 per cent growth in order bookings for the nine months to SKr37.72bn. This was due mainly to a strong increase in public telecommunications and radio communication orders.

Mr Lars Ramqvist, chief executive, said the higher orders would make a full impact on net sales next year and he added that the forecast for the whole of 1992 of a low profit remained unchanged.

Mr Ramqvist claimed that Ericsson was strengthening its position as "a world-leading, independent supplier of telecommunications systems".

Yesterday, the company announced it was extending its partnership with Texas Instruments, the Dallas-based high technology company.

Rothschild Bank replaces KPMG

By Ian Rodger in Zurich

ROTHSCHILD Bank, the troubled Zurich affiliate of N. M. Rothschild & Sons, has sacked its auditors, KPMG, Fides Peat.

The move follows a series of misadventures at the bank in the past decade, culminating last summer in the arrest of its credit manager for fraud and a SFr250m ($178.5m) capital restructuring backed by the Rothschild family.

Mr Adolf Lustenberger, the KPMG partner responsible for the Rothschild Bank account, confirmed that the firm was "in the process of being replaced".

Rothschild Bank decided at its last board meeting that it would replace KPMG with Coopers & Lybrand, the firm which is carrying out an investigation into the bank's problems.

Under Swiss banking law, a bank must apply to the Swiss Federal Banking Commission for permission to change auditors, and the Commission will hear evidence from both the auditor and the bank before deciding.

In this case, the commission is likely to ask KPMG how it could have failed to notice and draw attention to some of the problems at the bank.

Mr Lustenberger would not comment on the role of the firm.

A spokesman for the bank said last week that losses on loans made improperly over a period of several years to companies associated with the German-Canadian property financiers, Mr Karsten von Wersebe and Mr Wolfgang Stolzenberg, would reach around SFr220m.

Japanese trading companies to cut top salaries

By Charles Leadbeater in Tokyo

EXECUTIVES at some of Japan's leading trading companies are facing salary cuts of between 5 per cent and 10 per cent after their companies yesterday reported sharp falls in profits for the first half of the financial year.

The downturn in the domestic economy was the main reason for the falls in pre-tax profits which ranged from 25.6 per cent at Mitsubishi and 33.7 per cent at Sumitomo.

All the trading houses suffered large falls in the value of their securities investments held by special trusts. The houses' finances are a broad reflection of the state of the Japanese economy as well as its trade flows.

● Mitsubishi's pre-tax profits fell by more than a quarter to Y31bn ($249m) for the six months to the end of September on a 3.3 per cent fall in sales to Y7,502bn.

The deterioration in Mitsubishi's profits was mainly due to a continued rise in operating costs, which were up by 7 per cent. That was the main factor behind a 32 per cent fall operating profits to Y35bn. Earnings per share were Y8.11, down from Y14.14 a year earlier.

The Mitsubishi board yesterday decided to cut top executive salaries by an average of 10 per cent from the end of this month.

The decline in Mitsubishi's sales was most pronounced in Japan where the economic downturn prompted a 6.9 per cent fall in sales which account for about 46 per cent of the group's total sales. Fuel sales rose by 8.9 per cent but chemicals fell by 10.7 per cent and machinery by 8.3 per cent.

● Sumitomo reported a 33 per cent fall in pre-tax profits to Y23bn on sales of Y8,596bn, down 9.1 per cent from the first half of last year.

The group's operating profits were almost halved to Y13bn because, despite the fall in sales, its general and administrative expenses rose by 7 per cent mainly due to higher labour costs.

Machinery sales were 3.3 per cent up, but sales of metal and steel fell 22 per cent, while chemicals and fuel were 9.5 per cent down and textiles 9.2 per cent lower.

Sumitomo sharply increased its provisions for doubtful receivables from Y189m to Y655m, while its valuation loss on securities holdings rose from Y769m last year to Y1.2bn, reflecting the slump in the Tokyo stock market.

Income from the sales of securities fell by Y1.6bn to Y3.9bn, while cash on deposit was cut by Y410m to Y934m.

● Mitsui's pre-tax profits fell by 21.4 per cent to Y25bn on a 7.5 per cent fall in sales to Y7,712bn. Operating profits were 24 per cent down at Y24bn.

● Marubeni blamed the appreciation of the yen against the US dollar for an erosion of its profit margins on its foreign trade related businesses. Its pre-tax profits fell by 32.6 per cent to Y15bn on a 4.5 per cent fall in sales to Y8,283bn.

● Itochu, formerly C. Itoh, is cutting executive salaries by between 5 per cent and 10 per cent from next month despite reporting an 11.5 per cent increase in first half pre-tax profits to Y22bn on a 9.1 per cent decline in sales to Y9,201bn.

The profit increase was mainly due to increased dividends from foreign subsidiaries and non-operating financial income.

Sales in the metals division fell by 23 per cent as the company cut back on gold trading. Itochu said it had made an appraisal loss of about Y90bn on its securities investments, worth about 30 per cent of its outstanding securities investments.

● Nissho Iwai's pre-tax profits fell by 15.7 per cent to Y8bn on a 5.5 per cent drop in sales to Y5,198bn. Nissho Iwai said it made an appraisal loss of about Y20bn on its securities holdings which are worth about Y220bn.

Sony down 61% on poor domestic sales

By Emiko Terazono in Tokyo

SONY, the leading Japanese consumer electronics group, yesterday confirmed the sharp downturn in domestic consumer demand with a 61 per cent fall in interim taxable profits.

And Pioneer Electronic, the audio equipment maker, announced poor interim earnings, posting a 44 per cent drop in pre-tax profits.

Sony's consolidated taxable profits for the first half to September plunged to Y38bn ($309m) from the previous year's Y97.5bn. The announcements follow other leading Japanese electronics companies, which have also reported sharp profit falls due to sluggish trading. Matsushita, the largest group in the industry, reported a 65.6 per cent fall in pre-tax profits earlier this week.

Sony's sales were boosted by a rise in entertainment revenue, and advanced 4.8 per cent to Y1,900.1bn. Operating profits however fell 39.6 per cent to Y64bn due to foreign exchange losses, and net profits fell 60.2 per cent to Y17.9bn.

Entertainment revenue rose 17.9 per cent to Y383.6bn, thanks to the group's box office hits. Revenues from films and videos rose 40.4 per cent, due to its film Hook, which brought in $250m, while A League of Their Own, starring Madonna, netted $104m.

Electronics equipment sales increased 2 per cent to Y1,516.5bn. Video equipment sales were hurt by market saturation, falling 3.8 per cent to Y437.3bn, while audio equipment was flat at Y452.4bn.

Domestic sales fell 2.9 per cent to Y461bn, while overseas sales rose 7.6 per cent to Y1,439bn, supported by to a 12.5 per cent rise in the US. European sales advanced 4.8 per cent, because of the strong D-Mark.

Inventories, of which 85 per cent is electronics equipment, fell 2 per cent to Y851.6bn. Sony said it wanted to reduce the level to Y800bn by the end of the fiscal year to March through a cut in production.

First-half capital spending was curbed by 41 per cent to Y137.6bn, while research and development spending rose 2 per cent to Y117.8bn.

On a non-consolidated basis, Sony saw a 0.8 per cent fall in pre-tax profits to Y36.6bn on a 3.7 per cent decline in sales to Y959.2bn. The company, which fell into the red on the operating level last fiscal year, managed to post a profit of Y11.7bn due to aggressive cost cutting.

Uncertainty over a recovery in the domestic market forced Sony to revise down previous forecasts for the 12 months to March. Consolidated sales are expected to rise 3 per cent to Y3,950bn, while operating profits are projected to fall 20 per cent to Y133bn. The group's net income is forecast to fall 71 per cent to Y35bn.

Meanwhile, Pioneer said pre-tax profits fell to Y10.8bn due to poor sales of audio-visual equipment and karaoke systems. Sales fell 2.7 per cent to Y205.5bn, with domestic sales declining 12.8 per cent. After-tax profits tumbled 37.9 per cent to Y6.6bn. Pioneer expects annual pre-tax profits to fall 34.1 per cent to Y21.8bn on a 2.5 per cent drop in sales to Y405.5bn.

Depositors leave Bank Summa

By William Keeling in Jakarta

BANK Summa, the troubled Indonesian bank which was suspended from clearing operations last week with bad debts of over Rp1,000bn ($487m), re-opened yesterday for small-scale depositors to make withdrawals.

Under a rescue plan supported by a consortium of about 17 private banks, customers with deposits of up to Rp10m were allowed to withdraw their savings. From dawn, queues were reported at many of its more than 200 branches as thousands decided to clear their accounts.

Bank Summa has about 150,000 depositors, of which up to 90 per cent may qualify for the rescue package.

Executives of the consortium's banks, which have raised over Rp150bn to support the operation, have privately said they are participating only under pressure from Bank Indonesia, the central bank.

Dr Adrianus Mooy, central bank governor, said on Monday that no central bank funds would be made available to rescue Bank Summa. He noted that, while the rescue package would assist small-scale depositors, the withdrawal of their funds would make a restructuring of Bank Summa more difficult.

Bank Summa is owned by the Soeryadjaya family, who are also majority shareholders in Astra International, Indonesia's second largest company.

Last week, the Soeryadjayas sold 40m Astra shares for $197m. Bankers say they may have to relinquish much of their remaining stake, valued at over $500m, to cover the bank's debts, over half of which are owed by companies in which the Soeryadjayas hold an interest.

Astra's share price closed yesterday at Rp6,500, down 16 per cent for the week and 40 per cent since mid-year.

Malaysian carrier ahead 5.5%

By Kieran Cooke in Kuala Lumpur

MALAYSIA Airlines (MAS), the country's national carrier, has announced a 5.5 per cent rise in pre-tax profits for the first half to September 30.

Taxable profits rose to M$153.46m (US$61.2m) from M$145.68m a year earlier. Turnover increased to M$1.94bn from M$1.78bn.

In the year to March 1991, MAS registered pre-tax profits of M$206m and M$120m in 1991-92. But these figures included funds raised from aircraft sales. The group did not reveal what percentage of interim profits came from these sales.

Earlier this year, MAS forecast taxable profits for the current year of M$372m. Airline analysts say MAS has benefitted from a 20 per cent rise in domestic air fares approved by the government in June. But they say that, despite the six-month rise in profits, the full-year profit projection is unlikely to be met.

Last month, a fire at Kuala Lumpur's main airport caused traffic disruption for more than two weeks. The fire came during the holiday season, and analysts say that it cut MAS revenues.

MAS is in the middle of what is one of the global aviation industry's biggest expansion programmes. In the course of its present five-year plan – 1991-92 to 1996-97 – MAS has orders for 72 aircraft costing a total of M$10.6bn.

Earlier this month MAS launched Malaysia's biggest rights issue yet to raise M$1.75bn in a one-for-one offering, which MAS said was oversubscribed by 3.9 per cent.

Westpac tumbles to record loss

By Kevin Brown in Sydney

WESTPAC Banking Corporation yesterday announced net losses of A$1.56bn (US$1.07bn) after abnormal items for the year to the end of September, a record for Australia's four national trading banks.

The result contrasted sharply with a A$675m net profit announced by the more conservatively managed National Australia Bank. Earlier this week, Australia and New Zealand Banking Corporation revealed a net loss of A$579m.

Westpac reported net profits of A$104m for the second half, but the return to profitability was swamped by the bank's first-half loss of A$1.66bn, which followed a A$2.65bn write-off against bad loans.

The bank said second-half net profits were A$268m before abnormal losses of A$106m relating to US tax, a A$51m pension fund writedown, and a A$7m writedown of its 6.2 per cent shareholding in the ANZ bank.

The directors cut the final dividend from 12 cents to 6 cents, making a total of 18 cents a share, compared with 24 cents. The board maintained full franking, but said future increases in dividends would depend on performance.

The result ends a year during which five directors resigned and the bank was given six months to improve performance by the AMP Society, its biggest shareholder.

Westpac strengthened its balance sheet after the first half through a A$1.2bn fully underwritten rights issue, but was embarrassed when shareholder scepticism left the issue 72 per cent undersubscribed.

Mr Frank Conroy, managing director, acknowledged that the bank would be vulnerable to a takeover if the federal government relaxed its ban on mergers between Australia's big six financial institutions.

Mr Conroy said shareholders were likely to be "not very happy" with the result. However, he said there was "some evidence" that the bank's profitability was starting to improve.

Profitability before tax, bad debts and abnormal items had been stable for 18 months at an annualised level of about A$1.3bn. The capital ratio, which reflects balance sheet strength, had improved from 8.4 per cent to 9.7 per cent following the rights issue. And problem assets had fallen to A$7.6bn from A$8.2bn before specific provisions.

"Taken together ... we have the foundation from which to recover our financial performance over time, and reposition the bank to its rightful place in the market," Mr Conroy said.

Westpac said it intended to reinforce the recovery in profitability by cutting costs and increasing revenue by A$300m by next September; cutting its expense to income ratio from 70 per cent to 58 per cent over three years; and reducing its corporate lending assets by A$10bn by 1995.

Westpac shares closed 3 cents higher on the Australian Stock Exchange at A$2.65, still 35 cents below the offer price for the recent rights issue.

Abnormal items behind 6.3% profits fall at NAB

By Kevin Brown

NATIONAL Australia Bank (NAB), Australia's biggest and most profitable bank, yesterday reported a fall of 6.8 per cent in net profits to A$675m (US$454m) after abnormal items for the year to the end of September.

However, the bank said net profit before abnormals increased by 11 per cent to A$802m. The abnormal loss of A$127m was caused entirely by a write-down in the carrying value of the NAB's 4.9 per cent stake in the Australia and New Zealand Banking Group (ANZ).

Mr Don Argus, managing director, said the result was "the story of a black ink bank". He said the result was "satisfactory" in the light of "difficult" trading conditions in Australia and the UK.

The result was achieved in spite of a 33.5 per cent fall to A$189m in the contribution from NAB's UK and Irish division, which includes the Clydesdale, Northern, Yorkshire and National Irish banks. The sharpest reverse was incurred by Yorkshire Bank, which suffered a 33 per cent fall in profits to A$11m, caused mainly by an increased charge for bad and doubtful debts.

The Australian operations increased their contribution to group profits by 9.7 per cent to A$588m. New Zealand operations, excluding the recently acquired Bank of New Zealand, contributed A$9m, compared with a loss of A$9m in the previous year.

Mr Argus said the main factors behind the improvement were a 5 per cent fall in provisions against bad and doubtful debts to A$908m, and a 1 per cent increase in net interest income to A$3.6bn. Almost half the bad debt charge related to the UK and Ireland.

He said there were signs of modest recovery in Australia, but the outlook for growth remained moderate, and uncertainties still surrounded the property market and the level of business confidence.

This would sustain strong pressure on margins in the housing and retail deposit market, the backbone of NAB's profitable performance.

Mr Argus said UK economic activity was expected to be weak in 1993, but lower operating costs and charges for bad debts would provide a base for improved profits.

See UK Companies

AT&T to float 15% of its leasing and finance unit

By Patrick Harverson in New York

AT&T, the US telecommunications company, announced yesterday that it was planning to float 15 per cent of AT&T Capital, its equipment leasing and finance subsidiary, as part of a broader strategy to give the unit greater financial independence from the parent group.

A new subsidiary, which will keep the name AT&T Capital, will be established to take over most of the unit's $7bn in assets, although it's leverage lease and project finance assets will remain with AT&T for tax reasons. A public stock offering of about 15 per cent of the new unit is planned for next year, depending on market conditions.

AT&T said the changes, which have been under discussion for several months, were designed to let AT&T concentrate more on its core businesses of communications and computing, yet still retain a substantial interest in AT&T Capital. The unit reported revenues of $1bn last year (out of the total $63bn reported by AT&T), and has 600,000 customer accounts and 2,400 employees, making it one of the largest leasing and finance companies in the US.

AT&T said that the partial spin-off of the subsidiary would also give the telecommunications company greater financing flexibility because future debt issued by the new unit would not be supported by AT&T. However, it would continue to guarantee the unit's current outstanding debt, which included $2.71bn of medium-term notes.

Mr Thomas Wajnert, AT&T Capital's president and chief executive, said yesterday: "We will have greater control of our destiny, financing and the markets we pursue. At the same time, we still maintain the AT&T relationship and brand name."

AT&T Capital was formed in 1985 to help market AT&T's business systems. In its present form the company is made up of 10 separate units that finance both AT&T and non-AT&T equipment, including computer systems and cars and telecommunications, office manufacturing and general business equipment.

News of the changes at AT&T Capital helped lift AT&T shares $¼ to $47⅛ in early trading on the New York Stock Exchange.

Dell Computer surges 120%

By Louise Kehoe in San Francisco

DELL Computer's share price rose $2¾ to $39 at mid-day yesterday, when the US personal computer company reported what one Wall Street analyst called truly amazing third-quarter results.

The Texas-based PC company, which sells computers by mail order and over the phone, reported that sales shot up 149 per cent to $570m from $229.3m in the same period last year. Net earnings were $28.6m, or 72 cents a share, up 120 per cent from $13m, or 35 cents in the third quarter last year.

This marks the third consecutive quarter in which Dell's revenues have increased by over 100 per cent. "We are continuing to gain market share from both larger and smaller competitors," said Mr Michael Dell, chairman and chief executive. "It is clear customers are not necessarily looking for the lowest price, but for the best overall value."

Recently, Mr Dell predicted an end to the price war that has slashed profit margins throughout the PC industry. "We are overwhelmed with demand, so if we lowered prices it would be like a self-inflicted wound," he said.

Dell said domestic sales increased 138 per cent to $377m. International sales surged 172 per cent to $198m, compared with the year-ago quarter.

For the first nine months, sales increased 131 per cent to $1.4bn, against $604m last time. Net income was $70m, or $1.81 a share, 98 per cent higher.

Campbell Soup improves 21%

By Nikki Tait in New York

CAMPBELL SOUP, the US food company which is embroiled in a takeover bid for Arnotts, the Australian cookie and cracker group, yesterday reported a 21 per cent increase in first-quarter profits, at $156.6m after tax.

The improvement was scored on sales up by 10 per cent overall, at $1.7bn, and translated into earnings per share of 62 cents, compared with 51 cents in the same period of last year.

Mr David Johnson, Campbell's chief executive, claimed the advance reflected a push for markets and increased market shares, with advertising expenditure increasing by 24 per cent.

In its core North and South America markets, Campbell saw a 9 per cent sales increase, with a 15 per cent improvement in earnings, and in the much smaller Europe/Asia division, the gains were 16 per cent and 28 per cent respectively.

However, although sales in the biscuit and bakery arm advanced by 8 per cent, profits fell by 11 per cent.

Campbell said sales of its Pepperidge Farm premium cookies remained soft, because of the recession, and that the earnings dip reflected higher marketing spending on new Pepperidge Farm and Delacre products.

Morgan Stanley slips to $110.6m

By Patrick Harverson

MORGAN Stanley, the Wall Street securities house, yesterday reported a slight fall in third-quarter net income to $110.6m, compared with the $121.8m earned in the same period last year.

The results were in line with market forecasts, so Morgan Stanley shares were virtually unchanged at $53 on the New York Stock Exchange.

The company blamed the drop in earnings on a contraction in new equity offerings, and lower revenues from its principal trading business.

The figures would have been more disappointing but for the $42.6m gain Morgan Stanley earned from the sale of its stake in MS/Essex Holdings, and an increase in the carrying value of its investment in Kohl's Corporation.

Although the company enjoyed strong results from foreign exchange, swaps and government bond trading (some of the gains were undoubtedly linked to the turmoil in European bond and currency markets during September), they were more than offset by poor results in equity and commodities trading.

Overall, Morgan Stanley's earnings from trading for its own account dropped 15.6 per cent in the quarter to $300.8m.

Investment banking revenues declined 6 per cent to $182.3m, a reflection of the fall-off in equity securities offerings and merger activity.

The volume of debt issuance rose during the period, thanks to continued healthy demand from US and foreign corporations for bond underwriting services.

Commission revenues were down 3 per cent to $968.6m, but earnings from asset management (a fast-growing area for most Wall Street firms) and administration services jumped more than 40 per cent to $57m. Expenses excluding interest rose 8 per cent to $575.8m, due primarily to higher compensation payouts, occupancy and equipment costs and brokerage, clearing and exchange fees.

Carrier must escape the winter

Nikki Tait and Ronald van de Krol on Northwest Airlines' troubles

Just how bad is the financial situation at Northwest Airlines, the fourth largest US carrier? That is the question bouncing around Wall Street's junk bond desks, as analysts try to figure out whether yet another US carrier is headed for the bankruptcy courts. "My guess is that it's very, critical," says Ms Chris Daley at Bear Stearns.

As ever with distressed US carriers, the pressing issue is liquidity, rather than long-term capital structure, although the latter is scarcely encouraging. Northwest – whose 370 aircraft, $7bn-plus in annual revenues, and 46,000 employees make it roughly similar in size to British Airways – was taken private via a $3.65bn leveraged buy-out in 1989, bringing in KLM as a minority equity partner.

Wing and a prayer: Northwest's pressing issue is liquidity

The US carrier is reckoned to have about $4bn in long-term debt and, against a dire industry backdrop, has notched up $890m in after-tax losses since the beginning of 1990.

However, the focus of concern is whether it can survive the low-travel winter without fresh financial assistance. Northwest drew down the last tranche of a $600m revolving credit, its main source of flexibility, last month.

In the wake of this move, analysts are left guessing at the precise level of cash balances: "I wouldn't think there's a near-term liquidity crisis," says Mr Phillip Baggally, with New York credit rating agency, Standard & Poor's. "But if they want to get through the winter period, they will probably need some financial help."

Support for this comes from several sources. First, even in the high-travel summer period, NWA Inc (the parent company) clocked up a $19.7m loss after interest charges and tax. Now that the duller winter season has set in, and with traffic on Northwest's important Pacific routes depressed, some analysts reckon that daily operating losses may be about $1m-$2m – a good rate at which to eat up cash balances.

Second, Bankers Trust (BT), the investment banking business which acquired a minority equity interest in the airline at the time of the buy-out, is trying to put together a $300m one-year term loan for Northwest, with a deadline of November 27.

Sources involved suggest the bank is prepared to contribute $50m and that the begging bowl is being passed widely to other existing banking backers, other equity investors and even to suppliers.

Yesterday, KLM helpfully assisted the effort by offering to contribute $50m, if others come in, and said it believed a $250m-plus loan would enable Northwest to meet its near-term financial commitments.

The question which everyone – including, presumably, the targeted contributors to the BT loan – must be asking is whether an emergency facility would really fix anything longer-term.

Again, the bullish view is that, having escaped the winter, Northwest could then look again at attracting new equity funds, partnership deals, a renegotiation of the repayment terms on existing banking facilities, and/or alterations to its new airlines delivery schedules. The bears, by contrast, point to the volatility of US airline business; the very slow improvement in the economy; and the propensity for fare wars to break out.

One potential plus for the airline could be concessions from its unions. Northwest pilots have offered to inject $100m a year, for a three-year period, either through lower wages or other means. (If the deal was struck solely through wage concessions, this would equate to a 15 per cent pay cut.)

However, like KLM, the pilots insist other constituents at the airline must play their part, for the offer to hold. Other labour unions must make equivalent concessions, for example, and existing investors must show a willingness to support the carrier in the months ahead. The pilots also want a share in Northwest's equity, or some equivalent deal, and job security.

If the Bankers Trust loan is not forthcoming, what are the airline's alternatives? One possibility is asset sales, the sale of slots at Chicago's O'Hare airport to American has been mentioned. However, one analyst points out that such deals can seldom be arranged in a hurry.

Another is a Chapter 11 bankruptcy filing. The Cassandras have noted that the "drop dead date" for the BT loan is two days after Thanksgiving. This would allow the airline to cash in on the heavy holiday traffic, and then file in the subdued period which follows.

There are even unconfirmed suggestions that some of NWA's management would welcome this option, since it would allow the airline to abrogate certain contracts and, if pursued quickly, enter bankruptcy with a good cash balance and a fair chance of emerging as a much stronger carrier.

In all of this, KLM's interests are plain to see. On the one hand, its stake in Northwest is part of a grand design to become a global airline straddling Europe, North America and, partly through Northwest, Asia Pacific.

On the other hand, Northwest's continued losses are putting pressure on its own results, which are forecast to go into the red in the year 1992-93. For this reason, KLM emphasised its $50m contribution to the Northwest loan would not involve taking a higher stake and, by implication, a larger share of the losses.

In 1989, KLM's involvement in Northwest was heralded as a strategic coup of global proportions. The Dutch carrier must fear its investment might land it in the middle of a common US phenomenon – a Chapter 11 filing.

Mercedes-Benz considers assembly in US

By Kevin Done, Motor Industry Correspondent

MERCEDES-BENZ, the automotive subsidiary of Daimler-Benz, is considering setting up a passenger vehicle assembly plant in the US, Mr Gerhard Liener, Daimler-Benz finance director said yesterday.

Such a plant would probably be built as part of its Freightliner heavy truck operation in the US, he said.

It is believed Mercedes-Benz is examining the long-term potential for assembling people carriers in the US.

These high-roof estate cars that carry seven to eight people have been pioneered by the Renault Espace in Europe and the Chrysler Voyager in the US.

"We might build a plant for another type of vehicle, not for classic passenger cars," said Mr Liener.

"There are many new vehicle configurations in the US – electric cars, four-wheel drive leisure utility vehicles and minivans.

BMW, the German rival of Mercedes-Benz, announced plans earlier this year to build a car assembly plant in the US in Spartanburg, South Carolina, its first large facility outside Germany.

Mercedes-Benz will begin small volume car assembly in Mexico in the first quarter of next year with the long-term target of supplying some cars from Mexico to North America, said Mr Liener.

Mercedes-Benz was aiming to increase local content in Mexico to a sufficient level by the second half of the 1990s to allow it to export cars duty free from Mexico to the US and Canada under the terms of this year's North America Free Trade Agreement, he said.

Daimler-Benz rules out share stake in Daf

By Kevin Done

MR Gerhard Liener, finance director of Daimler-Benz yesterday ruled out any move by the German group to take an equity stake in Daf, the struggling Dutch truck maker.

Mercedes-Benz, the automotive subsidiary of the German engineering and aerospace group, has been in negotiations with Daf for more than three months, but Mr Liener appeared yesterday to squash Daf's hopes of gaining financial support from the German truck maker.

"We do not have any intention of becoming a shareholder," he said. "They would be very happy, if we would buy ourselves into the equity, but we are not going to do that."

The tough stance by Daimler-Benz is a considerable setback for Daf, which announced in August it had been forced to enter discussions on a strategic alliance.

The Dutch truck maker, in which British Aerospace holds an 11 per cent stake and which is now in its third year of heavy losses, said it was seeking an alliance, where the new partner would provide fresh equity, as well as collaboration to allow it to share products, new product development costs and plant capacities.

Mr Liener insisted that Mercedes-Benz was only discussing a collaboration in which the two companies could exchange some components.

Mr Liener said that it would have to be a two-way exchange. Daf has launched a new medium-heavy truck range, the Daf 75/85, this year, and Mr Liener said that the German group was considering taking cabs from Daf in a possible collaboration deal.

Mr Liener insisted that Mercedes-Benz was "already big enough in trucks in Europe", where its share in the European Community had jumped to 32 per cent from only 25 per cent in 1990.

"The more market share grows the more we are exposed to risks. We don't want more than 32 per cent, that is a peak. We don't want to defend that. That would be too costly."

Mr Liener forecast that, as the German market contracts, Mercedes-Benz's share of the west European truck market (over six tonnes gross vehicle weight) would fall to 27 per cent to 28 per cent.

Transamerica sets IPO date

By Nikki Tait

TRANSAMERICA, the San Francisco-based financial services group, is to float a majority interest in its property and casualty insurance operations on the US stock market. The newly-independent company will be headed by Mr Jon Rotenstreich, a former president of Torchmark Corporation, the insurance group.

Transamerica first revealed it planned to get out of the property-casualty business in July. However, at that stage, it was mulling whether to sell the business, demerge it through a distribution of shares to Transamerica shareholders, or go for an initial public offering (the US term for a flotation).

Yesterday's announcement suggested the IPO would go ahead next spring, and involve the sale of new shares, plus part of the existing Transamerica holding.

Proceeds from the sale of the new stock would go towards strengthening the property-casualty company's surplus, while Transamerica would use funds raised from the sale of its own shares to pay down debt, repurchase capital stock or invest in continuing operations. The west coast company, which holds a 25 per cent interest in Sedgwick Group, the UK insurer, added that it planned to sell its remaining shares in subsequent offerings.

The property-casualty operations represent the 27th largest P-C insurance business in the US, with assets of $4.8bn. Transamerica said it intended to purchase Sedgwick shares held by the insurance division, and would retain Transamerica Insurance Group's 51 per cent interest in River Thames Insurance, a London-based reinsurer.

The parent company said it would not be able to gauge whether it makes a profit or loss on the disposal until the IPO price is set, but any loss would not exceed $75m after-tax. Yesterday, the shares rose $1⅛ to $45⅛ in early trading.

Mr Rotenstreich, meanwhile, is perhaps best-known as the president of Torchmark who, in 1990, waged an ultimately unsuccessful bid campaign by the Birmingham, Alabama insurer against American General, a much-bigger insurance company.

Prior to this, he was vice-president, treasurer and chief financial officer at IBM, and before that, a managing director and general partner at Salomon Brothers.

Laurentian advances 13% to C$9.5m

By Robert Gibbens in Montreal

LAURENTIAN GROUP, a Montreal-based financial services conglomerate, recorded third-quarter profits of C$9.5m (US$7.4m), or 16 cents a share, up 13 per cent from C$8.4m, or 14 cents, a year earlier. Results from its general insurance subsidiary improved.

Nine months' profit was C$23.8m, or 39 cents a share, down nearly 9 per cent from C$26.1m, or 45 cents, a year earlier. The 1991 period included a special gain of C$2.5m from the sale of a British affiliate. Nine months' revenues were C$2.1bn, up 7 per cent.

Corporate assets at September 30 were C$14.4bn, up 5 per cent from December 31 1991 and including assets under administration, the total was C$20.9bn, up 6 per cent. The gain in corporate assets was due mainly to expansion by Laurentian Bank.

● Teck, an internationally-owned diversified mining group, is expected to take over the Baler and Greenhills coal mines in southern British Columbia from the bankrupt Westar Mining. Teck bid C$85m, with the backing of the Bank of Montreal, Westar's largest secured creditor.

AMD to build chip plant in Texas

By Louise Kehoe

ADVANCED Micro Devices, the US semiconductor manufacturer, is to build a $700m manufacturing facility in Austin, Texas.

The plant will employ up to 1,000 people and produce AMD's next generations of microprocessors and highly integrated logic chips for applications, such as computer networking and multi-media computing.

Scheduled for completion in 1994, it will initially be capable of producing integrated circuits on eight-inch diameter silicon wafers using the latest manufacturing technology to produce devices with half-micron features (approximately 1/200th of the diameter of a strand of human hair) and smaller.

● Chips and Technologies, another Silicon Valley chip maker, said it was restructuring to reduce expenses and increase its focus on key strategic products. Chips has reduced its workforce by 20 per cent since June. The company now expects a further reduction of about 20 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Purchase Price for Trading on 20.11.92: Pool purchase price £/MWh	Final Prices for Trading on 21.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.84	17.71	17.71
0100	22.93	17.87	17.87
0130	21.35	18.83	18.83
0200	31.26	22.05	24.02
0230	22.98	30.21	33.04
0300	22.98	30.21	33.03
0330	22.93	30.21	33.04
0400	20.80	24.87	27.34
0430	18.33	18.93	18.93
0500	18.80	17.73	17.73
0530	18.65	17.71	17.71
0600	18.40	17.71	17.71
0630	18.80	18.93	18.93
0700	23.06	24.86	27.28
0730	23.36	28.34	28.05
0800	26.72	27.83	30.83
0830	27.04	29.98	32.83
0900	27.04	30.05	32.92
0930	28.01	29.92	32.77
1000	28.01	29.87	32.71
1030	28.01	25.84	28.46
1100	28.01	25.80	28.41
1130	27.04	25.78	28.39
1200	28.01	25.79	28.40
1230	28.01	25.77	28.38
1300	28.91	25.74	28.35
1330	27.04	25.30	27.92
1400	23.56	24.58	27.13
1430	23.56	21.76	21.75
1500	21.08	21.70	21.70
1530	21.16	21.21	21.21
1600	23.98	21.21	21.21
1630	20.84	21.21	21.21
1700	26.83	24.34	26.91
1730	27.47	24.81	27.36
1800	25.98	28.88	30.74
1830	23.22	28.90	31.89
1900	26.14	28.97	31.92
1930	28.04	28.92	31.57
2000	28.02	24.81	27.36
2030	23.36	24.34	26.82
2100	23.38	24.34	26.93
2130	23.36	23.30	26.59
2200	23.36	23.59	26.60
2230	20.80	21.09	23.61
2300	18.45	21.05	23.58
2330	18.29	17.72	17.72
2400	18.29	17.80	17.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-468769 between 9.00am and 5.15pm Monday to Friday.

NGC Settlements Limited 1992

INTERNATIONAL COMPANIES AND FINANCE

Shimuzu expects Y20bn costs for rationalisation

By Charles Leadbeater in Tokyo

SHIMUZU, the leading Japanese construction group yesterday disclosed its withdrawal from Australian and European markets this year would cost it more than Y20bn ($160.8m).

Earlier this autumn Shimuzu announced it was rationalising its overseas operations which it invested in during the late 1980s, including closing its UK operations.

Shimuzu's sudden withdrawal, a rare retreat from overseas markets for a Japanese company, shocked many other Japanese construction companies which are seeking to cut costs in the face of a sustained downturn in the country's economy.

Shimuzu said its after-tax profits would for the year to next March would be cut by 55 per cent to Y30bn to cover the costs of liquidating subsidiaries in Europe and Australia.

The company reported a 10 per cent fall in pre-tax profits to Y50bn for the first half to September, on a 1.7 per cent increase in sales to Y921bn.

The company blamed a large share of the profits fall on lower interest rates reducing its return on investments. It also recorded a substantial appraisal loss on its securities holdings.

Shimuzu's order intake fell by 19 per cent to Y1,115bn. It investment programme will be cut by over 20 per cent from its original plans to about Y20bn.

Executives said the government's public works programme, expanded to stimulate the flagging economy, was creating strong demand for civil engineering projects. However, this was more than offset by a sharp fall in orders from the private sector.

● Kajima, the construction group, reported a sharp increase in bad debts and a cut in interest income was the main reason for a 9.8 per cent cut in first-half pre-tax profits to Y38bn. The company recorded a Y2.3bn deficit on its balance of financial items, after recording a Y5.1bn surplus in financial income in the same period last year.

Kajima's sales in the six months to end-September rose by 25 per cent to Y907bn. But its new order intake dropped by 21 per cent to Y1,006bn.

The company warned that in the second half profits would be pulled down by a swelling deficit on financial items and low profit margins on large projects.

● Taisei, the Tokyo-based general contractor, reported an 18.4 per cent rise in first-half pre-tax profits to Y46bn, on a 21 per cent increase in sales to Y886bn. However, new order intake fell by 21 per cent to Y903bn.

● Obayashi, reported a 26 per cent rise in first-half pre-tax profits to Y16bn, mainly a reflection of its relatively low profits during the same period the year before.

Public sector demand was the main reason for a 4.5 per cent increase in sales to Y686bn.

A besieged industry draws up plans for survival

Japanese houses have stopped hoping for a rapid return to the free-spending of the late 1980s, writes Robert Thomson

Daiwa Securities announced a net profit of zero for the first six months of 1992, cut its graduate intake by 40 per cent and launched a campaign for staff to "Do My Best" in encouraging investors to use the broker's services.

The reforms at Daiwa, one of the big four Japanese securities houses which has just closed three sales offices, reflects the upheaval in a securities industry which has begun to give up hopes for a rapid return to the free-spending days of the late 1980s.

Instead, the pressure for branch closures and mergers of brokers intensifies with each bad trading day.

Daily turnover of stocks on the Tokyo exchange this month is an average 180m, far below the 450m that marks whether most brokers make a profit or loss.

The listless trading has added to woes of a first half in which not one of the largest 14 brokers reported a net profit. Dramatic revival aside, the figures for the full year will be far worse, as brokers will be forced to write-off mounting losses on their stock portfolios.

In common with Daiwa, most companies are trimming workforces and pruning executive salaries, but these cuts do not go deep enough, and over the next two years, the crowded ranks of Japanese brokers will almost certainly be thinned by mergers and closures.

Japanese houses are already lowering their international profile. Nomura, the largest broker, has recently cut 35 staff from its London operations and closed three European offices. The list of branch closures lengthens each day: Okasan Securities has just shut its Frankfurt office; Sanyo Securities has closed a Los Angeles operation; and Dai-Ichi Securities is leaving Milan.

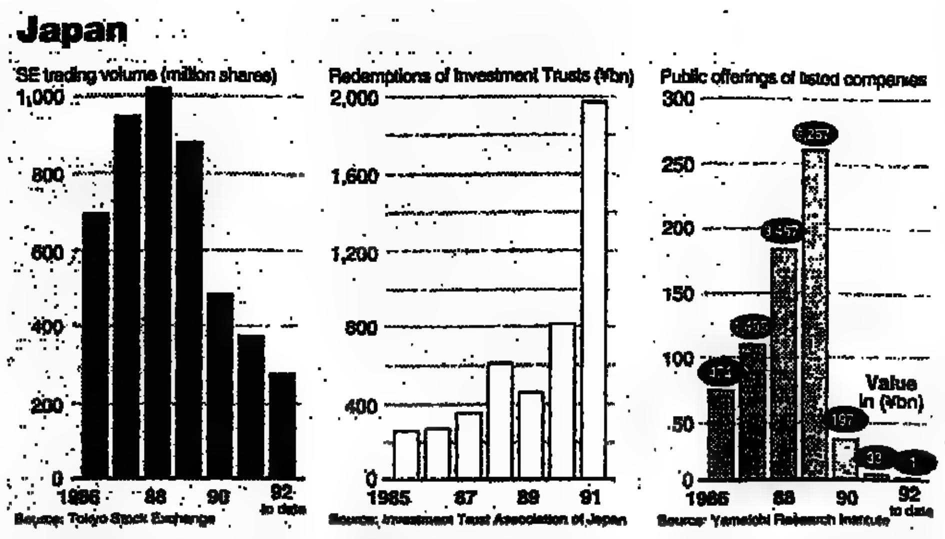
With so many brokers unable to lift themselves out of the red, the industry wants a slowing of financial deregulation. Debate continues on an end to fixed commissions and banks' entry into the investment trust market, both of which would increase competition and put added pressure on weaker brokers.

"Slimming is our aim at the moment," explained Mr Satoshi Matsumoto, head of corporate planning at Kankaku Securities, which lost Y18.6bn ($149.6m) in the first half, following a Y18bn loss last year. "We have to accept that the market is not the same and try to make money at the new, lower levels."

In explaining the industry's plight, brokers agree they badly miscalculated in the late 1980s, when daily stock turnover was an average 1.02bn. The financial bubble was pumped ever larger, and brokers concluded that the biggest problem was expanding rapidly enough to keep pace with the irrepressible demand.

● In the four years until the market peaked in December 1989, personnel at Japanese brokers rose by 41.6 per cent. Desperate to open new branches, but restricted by the Ministry of Finance, the brokers turned to now unprofitable sub-branches or "boutiques" in shopping malls, train stations and department stores – these were limited in products offered but still required heavy outlays in computer systems and rent.

Applications for full branches rose as rapidly as the Nikkei index – Kankaku had nine approved by the ministry that will not open – and were still being filed when the market began a "temporary readjustment". Three years later, the brokers' most important sources of income are still evaporating and their resources are nearing exhaustion.



A telling sign of the brokers' income shortage is the turnaround in public share offerings. In 1989, there were 261 public offerings which raised a total of Y6,257bn – so far this year, two companies have raised Y1.25bn, and no public offerings were made during the fiscal first half from April to September.

Stock and bond commissions, down 30 per cent in the first half, account for about 60 per cent of income at the big four brokers, Nomura, Daiwa, Nikko and Yamaichi. At the 10 second-tier companies, which reported first-half losses ranging from Y3.8bn to Y18.9bn, commissions account for around 80 per cent of revenue and as much as 95 per cent.

Brokers had hoped that a revival of the corporate bond market would increase earnings. New issues rose from 33 in the second half last year to 40 in the first half, but the market is still heavily regulated. There are strict limits on the types of companies able to issue bonds and on the trading of those bonds, and the only real relief for leading brokers has been increased income from trading stocks on their own accounts.

Behind the falls in price and turnover on the Tokyo Stock Exchange is the simple fact that few Japanese institutions or individuals have an incentive to buy stocks. Life insurance companies and banks have their own financial problems and are not keen to pump more money into low-yielding stocks, particularly as many companies are cutting their dividends this year.

Individual investors are also shunning the market because scandals last year raised doubts about the integrity of leading brokers, which admitted to compensating corporate investors for stock losses. The TSE insists that the industry has reformed, but brokers announced two weeks ago that they compensated clients even after the spate of confessions, apologies and resignations last summer.

In an attempt to stir interest in stocks, the TSE and finance ministry have urged industrial companies to increase their dividend payments, and discussed tax breaks for dividends and capital gains. The ministry this week announced a relaxation of limits on employee share ownership programmes, but the Nikkei market average was unmoved.

Mr Yukio Aida, chairman of Nomura Securities, said: "These are very difficult times," and companies are restructuring for "survival".

He said "even Nomura" may not have the resources to bail out stricken smaller brokers, which were heavily reliant on business from individual investors and were particularly aggressive in expanding.

Comparisons are being drawn between the industry's reform and the restructuring of Japanese banks, which are establishing a land and loan purchase company to ease the heavy burden of non-performing assets. Banks also have an understanding from the government that public funds may be used if the crisis worsens, but the securities industry can expect no such public assistance.

Just as the finance ministry is encouraging mergers to streamline the banking system, ministry officials believe that the 264 brokers registered with the Japan Securities Dealers' Association are far more than the country can support. The difficulty is finding brokers wanting to expand their networks through mergers and acquisitions of the more vulnerable houses.

For some brokers, traditional bank patrons are offering assistance. Dai-Ichi Kangyo Bank, Japan's largest, is helping to overhaul Kankaku Securities, while Sakura Bank has renegotiated loans at Yamatane Securities, which is planning to cut management staff by 40 per cent.

If deregulation stays on track, the banks could use these connections to expand their role in the securities industry, but little money will be made in the near future. Kankaku "hopes" to make a profit by March 1994, but says much depends on the timing and strength of an economic recovery.

Cheaper funding lifts Orix

ORIX, the leading Japanese leasing company, reported a 6.4 per cent increase in net income to Y10.02bn ($80.5m), largely a reflection of tighter credit screening of clients to reduce risks of bad debts and cheaper funding as a result of cuts in Japan's official discount rate, writes Charles Leadbeater.

The Orix group is one of Japan's top non-banks, which are less tightly regulated than the banking sector.

The non-banks have been hit by a rising tide of non-performing loans as a result of the sharp fall in the real estate market over the past two years.

The group's revenues were about 15 per cent down at Y198bn for the six months to end-September.

Yasuda in Paine Webber share sale

YASUDA Mutual Life Insurance of Japan has halved its investment in a capital tie-up with Paine Webber to $150m and sold Paine Webber 1.7m shares at the request of the US brokerage, Reuter reports from Tokyo.

Profits from the sale totaled $83m and follow a similar sale in February.

Japanese synthetic fibres group declines to Y25bn in half year

By Ray Bashford in Tokyo

TORAY Industries, the Japanese synthetic fibres group, yesterday announced a 12.2 per cent fall in unconsolidated pre-tax profits to Y25.08bn ($201.2m) in the six months to September 30.

Sales slipped 1.9 per cent to Y296.7bn, while net income fell 15.2 per cent to Y12.8bn, compared with Y15.08bn in the previous corresponding half year.

Sales of fibres and textiles fell 1.6 per cent to Y166.1bn, despite higher sales for products used in clothing such as polyester filament and nylon. However, nylon sales to the tire and carpet industries fell, reflecting the difficult trading conditions in the automotive and construction sectors.

Plastics and chemicals sales were 7.9 per cent lower at Y90.8bn. The automotive industry's troubles also hit this division, while the slowdown in sales of electrical appliances and magnetic tapes also had an adverse impact. Chemicals sales moved higher led by caprolactam which is employed in synthetic fibre production.

In the group's new products and other businesses area, sales advanced 13.5 per cent to Y39.9bn. Foreign sales of advanced composite materials which are used in the aircraft industry moved against the trend in the division although sales to the sporting goods business strengthened.

Toray is forecasting a fall in net income for the 12 months to March 31 next year to Y25bn against Y27.2bn in 1992 and a slight rise in sales to Y600bn for the same term.

● Taisho Pharmaceutical posted a 1.7 per cent rise in non-consolidated pre-tax profits to Y28.8bn for the six months to September, writes Emiko Terazono.

Sales rose 8.3 per cent to Y104.9bn. After-tax profits grew 7.1 per cent to Y14.5bn.

D-Mark offers safe haven from currency turmoil

By Sara Webb in London and Patrick Harverson in New York

SWEDEN'S decision to float the krona yesterday afternoon after repeated speculative attacks on the currency hit some of Europe's high-yielding bond markets which remain vulnerable to currency turmoil, and encouraged further switching into the safe haven of the D-Mark.

GOVERNMENT BONDS

The Riksbank, Sweden's central bank, initially raised the key marginal lending rate from 11.5 per cent to 20 per cent in a bid to defend the currency.

But as the rise in interest rates appeared to have little impact, the Riksbank decided to abandon its link to the Ecu and float the krona, subsequently lowering the marginal lending rate to 12.5 per cent.

The outflow of currency from Sweden over the past six days reached SKr160bn – far more than during the September currency crisis when the key marginal lending rate was raised to 500 per cent. Dealers estimated the Riksbank's reserves of about SKr185bn had come close to depletion. The krona was effectively devalued by 9.4 per cent against the D-Mark.

Swedish government bonds fell when the marginal rate rose to 20 per cent, but as the krona was allowed to float and the marginal rate was cut, bond yields tumbled.

The yield on the benchmark bond due 2003 moved from Wednesday's close of 11.11 per cent to peak at 11.20 per cent, before falling to 10.30 per cent. Yields on six-month treasury bills dropped from 18 per cent to 11 per cent, dealers said.

"It (floating the krona) was very bad news for the currency, but good news for the bond market," said one dealer, pointing out that without the constraint of its Ecu tie, short-term interest rates are expected to fall further, providing a boost to the economy.

However, any further rally in the bond market is expected to be domestically driven as international investors remain concerned about potential exchange rate risk.

The turmoil in the Swedish markets took its toll on some high-yielding European bond markets, as participants wondered which of the more vulnerable currencies would next come under attack from speculators.

Italian bond futures tumbled on news that the krona would float, on fears the lira might be the next target for speculators.

The Italian market had opened on a positive note following Wednesday's easing in Dutch and Belgian interest rates, as this had raised hopes of a German interest rate cut.

But news of Sweden's financial turbulence pushed up short-term interest rates, from 14.03 per cent to 15 per cent for one-month Libor, increasing the funding costs for market participants.

The futures contract opened at 95.25 and dropped to 94.45 by late afternoon before edging up slightly.

■ DESPITE some bad economic news that would normally have been positive for the bond market, longer dated US Treasury prices eased yesterday morning as investors took the opportunity to book profits earned in recent days.

By midday the benchmark 30-year government bond was down $\frac{11}{32}$ at $101\frac{1}{16}$, yielding 7.530 per cent. The short end of the market, however, displayed resilience, and the two-year note was up $\frac{1}{32}$ at 99½, to carry a yield of 4.503 per cent.

The economic figures were good for sentiment. The Labor Department reported jobless claims up 31,000 in the first week of this month, a much bigger rise than expected. Later, the Commerce Department announced housing starts fell 1.1 per cent in October, a worse reading than forecast.

Although the data gave a mild boost to the short end of the market, some investors felt recent gains in bonds had been overdone, and initiated a quick sell-off.

■ SHORT-dated German government bonds benefited from the nervousness in some of the peripheral European bond markets, ending higher on the day.

The Liffe bund futures contract opened at 91.26 and edged up to 91.34 before ending at around 91.32. Dealers said the bund market rose initially on short-covering and hopes of an easing in German rates.

But as news of the Swedish decision emerged, dealers noted switching out of high-yielding markets into short-dated German paper, which then outperformed the long end of the market.

■ UK government bonds ended slightly lower, as funding worries continued to trouble the market and gilts appeared unable to hold on to Wednesday's gains.

The benchmark 9 per cent gilt due 2008 fell to $102\frac{23}{32}$, down $\frac{1}{16}$ from late on Wednesday, to yield 8.79 per cent.

■ JAPANESE government bonds ended close to the highs of the day, as short-covering helped to push up bond prices sharply towards the end of the trading session.

The bond market opened on a weak note as the Tokyo stock market continued to rebound for the second day, wiping out hopes of lower interest rates.

The Nikkei stock index rose to a high of 17,007.82 in late morning, but lost some of the early gains and eased back to close at 16,871.31. The March futures contract climbed to 107.70, against Wednesday's close of 107.50.

FT FIXED INTEREST INDICES

	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Year ago	High *	Low *
Govt Secs(UK)	94.05	94.06	94.06	94.01	94.98	85.88	95.54	85.11
Fixed Interest	108.98	109.01	109.30	109.42	110.08	95.68	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1926.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12
Gilt Edged Bargains	173.1	185.3	185.9	214.3	312.2
5-Day average	214.2	238.8	262.3	280.6	287.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.0812	-	8.91	8.85	8.73
BELGIUM		8.750	06/02	104.5100	+0.350	8.05	7.99	8.12
CANADA *		8.500	04/02	102.9000	+0.100	8.05	7.93	7.93
DENMARK		9.000	11/00	100.2750	-0.650	8.95	8.60	8.98
FRANCE	BTAN	8.500	03/97	101.5813	[illegible]	8.02	7.93	8.30
	OAT	8.500	11/02	102.7580	-0.160	8.08	8.03	8.33
GERMANY		8.000	07/02	104.1000	+0.010	7.39	7.35	7.34
ITALY		12.000	05/02	94.8450	+0.070	13.38†	13.23	14.22
JAPAN	No 119	4.800	06/99	101.4469	+0.102	4.51	4.56	4.72
	No 145	5.500	03/02	105.7737	+0.343	4.61	4.63	4.84
NETHERLANDS		8.250	08/02	104.8600	+0.130	7.61	7.49	7.56
SPAIN		10.300	06/02	88.4250	-0.025	12.40	12.60	12.69
UK GILTS		10.000	11/96	109-25	[illegible]	7.13	6.95	7.32
		9.750	08/02	109-03	-7/32	8.34	8.05	8.51
		9.000	10/08	102-15	-3/16	8.70	8.51	[illegible]
US TREASURY *		6.375	08/02	97-04	-3/32	6.78	6.91	6.80
		7.625	11/22	[illegible]	-12/32	7.57	7.66	7.62
ECU (French Govt)		8.500	03/02	99.1050	+0.060	[illegible]	8.72	8.91

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

UBS returns to the Japanese bond business

By Ian Rodger in Zurich

THE launch this week by Union Bank of Switzerland of SFr300m in 2¾ per cent notes for Daiwa House Industry marks the return of the country's largest bank to the Japanese section of the Swiss franc bond market after being effectively blackballed for several months.

"UBS is proud to be mandated by a prestigious issuer like Daiwa House, and we are looking for further business," Mr Arthur Wulkan, senior vice-president of UBS, said.

The row developed as a result of some peculiar customs in bond issuing for Japanese companies in Switzerland. The main problem is that Japanese banks and securities companies closely associated with an issuer get large allocations even if they have no real placing power.

They then tend to sell their bonds quickly in the market. When conditions are fair, this is an opportunity to make easy profits, but when conditions turn sour, as they did last year, it means the lead manager has to become a buyer of last resort.

The unhappiness of the big Swiss banks with this practice came to a head when several Japanese financial houses sold their allocations of an issue led by UBS for Takashimaya, the leading department store group, in a grey market even before the issue was launched.

An angry UBS abruptly cancelled their allocations, leaving them unable to fulfil their grey market sales contracts. The bank then followed up by setting new rules for its syndicates to prevent the grey market action.

Some of these rules, notably insisting on an alphabetical listing of syndicate members, offended Japanese sensitivities, and the entire Japanese financial community retaliated by effectively blackballing UBS. The bank, which ranked a strong third among book runners last year with SFr1.76bn in issues, had not led a single one this year until the Daiwa House issue.

UBS eased its tough stance in April, saying it would respect Japanese customs and "show appropriate flexibility".

A leading Japanese securities company official in Zurich said yesterday he thought the big Japanese banks would continue to try to convince their clients not to use UBS as a lead manager. However, Japanese securities companies tended to sympathise with UBS.

Investor interest aroused by Y75bn Belgian issue

By Tracy Corrigan

THE Kingdom of Belgium's Y75bn issue, launched yesterday by Nomura International, sparked firm demand among European investors.

INTERNATIONAL BONDS

Dealers said the strength of the Japanese government bond market in the last month has been fuelled by domestic purchases, while European investors have tended to remain on the sidelines. However, yesterday's seven-year deal for Belgium, priced to yield 40 basis points over the comparable JGB, succeeded in catching their interest.

Dealers said the lack of supply, partly a result of poor arbitrage opportunities, has helped support interest in the Euroyen market. Few borrowers have tapped the market because of poor arbitrage opportunities, but dealers said several sovereign borrowers are currently eyeing the market. The Belgium offering is being used to refinance maturing yen debt.

Meanwhile, Ireland is now expected to tap the dollar sector early next week, for up to $500m. The republic is aiming to raise five-year funds, according to banking sources, but Finland's recent five-year deal, trading at 82 basis points over the curve, could prove something of an obstacle.

While Ireland's debt rating is lower than Finland's, Ireland is generally perceived as an improving credit and Finland as a declining credit. But, while Ireland might expect to pay 60-65 basis points over the curve, comparison with the spread offered for Finnish paper could prove unfavourable.

Also in the dollar market, a $250m five-year deal for IBM Japan, arranged by Nikko Europe, sold out rapidly. The deal was priced to yield 45 basis points more than the five-year US Treasury. Traders said the IBM name is still well-liked among retail investors.

In the Euro-French franc market, the City of Paris made its debut Eurobond offering, shifting from the domestic market in an attempt to broaden its investor base. The FF500m seven-year issue via Credit Suisse First Boston, was priced to yield 29 basis point over the curve. CSFB said the City's credit is strong.

Oesterreichische Kontrollbank, Austria's triple-A rated export financing agency, has set up a programme under which it can issue Eurobonds, notes and private placements using the same documentation. The programme, which totals Sch3bn, is similar to Sweden's recent $10bn programme. It was arranged by Morgan Stanley International.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IBM Japan	250	6.5	101.373	1997	1⅞/1⅛%	Nikko Europe
Banco Sudameris Brasil(a)	70	10.25	99.31	1995	1¼/½%	Paribas Cap.Mkts.
YEN						
Kingdom of Belgium	75bn	5	99.71	1999	30/20bp	Nomura Int.
D-MARKS						
Irish Telecom.Inv.	300	7.75	102	2000	2¼/1½%	Dresdner Bank
Europäische Hypothekenbank	100	7.375	101.1	1996	1.2%	Frankfurter Hypobank
Ando Corp.(b)‡★★	80	(b)	100	1996	-	DKB(Deutsch.)
FRENCH FRANCS						
Crédit Foncier de France(c)	500	8.625	100.97	2002	-	Société Générale
Ville de Paris	500	8.25	99.56	1999	30bp	CSFB France
AUSTRALIAN DOLLARS						
Finnish Export Credit	75	9.25	100.4	1999	2/1½%	Hambros Bank

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Coupon payable semi-annually. Putable at par if Banque Sudameris' 56% shareholding in borrower falls below 51%. b) Coupon pays 35bp above 6-month Libor. c) Fungible with FFr5bn outstanding.

Plea for single European credit rating agency

By Richard Waters

A MERGER of existing credit rating companies in Europe would be the best way of creating an agency which spanned the continent, the man heading the German credit rating initiative suggested yesterday.

Mr Oliver Everling, managing director of Projektgesellschaft Rating, which has carried out preparatory work for an agency, said a merger of British and French organisations last month was the first step towards such an body.

At a congress in Amsterdam, Mr Everling said Europe has about 40 separate rating agencies. The merger of the London-based IBCA and French Euronotation paved the way for other European agencies to join a pan-European body.

Surveys in the Netherlands and Germany show that European companies wanted a new institute based on the continent, he said. "The investor needs full market coverage to make comparisons between ratings. There is a big discrepancy between market potential and market coverage."

Mr Everling said a major factor in setting up the European agency was that no other valued opinion was available to Standard & Poor's and Moody's, "even when they are wrong".

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 19

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS: Issued, Bid, Offer, Chg. day, Yield

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	31	9
Other Fixed Interest	3	9	3
Commercial, Industrial	283	204	935
Financial & Property	135	86	581
Oil & Gas	19	11	54
Plantations	0	1	8
Mines	6	46	93
Others	36	44	37
Totals	521	432	1,720

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Amalgamated dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. u Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Nov. 9
- Last Dealings Nov. 20
- Last Declarations Feb. 11
- For settlement Feb. 22

3-month call rate indications are shown in Saturday editions.

Calls in Aegis, AMEC, Ferranti, Mirror Group, Premier Cons., Queens Moat, Rhino, Royal Insce., Union Discount and Windsor. Puts in British Steel and Lasmo.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option, CALLS, PUTS

[illegible]

November 19 Total Contracts 26,243
Calls 14,821 Puts 11,422
FT-SE Index Calls 4,056 Puts 6,174
Euro FT-SE Calls 262 Puts 489
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Nov 19	Day's change %	Wed Nov 18	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.69	+0.07	128.60	2.14	10.99
2	5-15 years (25)	145.75	-0.04	145.81	2.38	11.85
3	Over 15 years (8)	152.49	-0.18	152.76	2.61	10.57
4	Irredeemables (6)	170.55	-0.03	170.60	0.78	13.45
5	All stocks (61)	142.36	-0.02	142.39	2.34	11.64
	Index-Linked					
6	Up to 5 years (2)	184.19	+0.16	183.90	0.53	3.68
7	Over 5 years (10)	167.46	+0.27	167.01	1.11	4.04
8	All stocks (12)	168.51	+0.25	168.09	1.03	3.96
9	Debs & Loans (62)	123.48	+0.65	122.69	2.49	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Thu Nov 19	Wed Nov 18	Year ago (approx.)
	British Government				
1	Low	5 years	7.05	7.07	8.67
2	Coupons	15 years	8.23	8.22	9.53
3	(0%-7¾%)	20 years	8.50	8.48	9.53
4	Medium	5 years	7.41	7.41	9.82
5	Coupons	15 years	8.70	8.67	9.67
6	(8%-10¾%)	20 years	8.89	8.87	9.62
7	High	5 years	[illegible]	7.65	10.04
8	Coupons	15 years	9.00	8.98	9.76
9	(11%-)	20 years	9.09	9.07	9.67
10	Irredeemables (Flat Yield)		8.87	8.86	9.71
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.38	2.42	3.75
12	Inflation rate 5%	Over 5 yrs.	3.76	3.78	4.22
13	Inflation rate 10%	Up to 5 yrs.	1.54	1.58	3.09
14	Inflation rate 10%	Over 5 yrs.	3.57	3.59	4.04
15	Debs &	5 years	8.82	8.84	11.45
16	Loans	15 years	9.87	9.95	11.25
17		25 years	10.06	10.13	11.07

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Storehouse returns to black

By Maggie Urry

STRONG SALES growth and higher gross margins returned Storehouse to profit in the 28 weeks to October 10.

The slimmed-down group, which includes the BhS and Mothercare chains, made a pre-tax profit of £3.1m, a £17m turnround from the £13.9m loss in the previous first half.

Mr Ian Hay Davison, chairman, said: "We remain confident that our underlying trading performance will show a significant improvement for the year as a whole".

The profit news surprised the stock market, which had been expecting a break-even position, and pushed the shares higher. They settled back to show a 1p gain on the day at 186p. The share price has risen from a low of 85p last December.

Mr David Dworkin, chief executive, said Storehouse had been transformed from a financial holding company to a focused retailer. Trading conditions were still tough, but Storehouse could now achieve "real and consistent growth."

Group sales rose from £573m to £617m. Sales in the two main chains rose by 10 per cent on a comparable store basis, without any help from price increases. BhS made an operating profit of £10.5m, against a £7m loss previously, while Mothercare turned a £2.9m deficit into £1.7m profit.

The results were held back by losses of £7.8m from Richards, Habitat and Blazer. The first two chains have since been sold and the disposal of Blazer is planned.

Ashley Ashwood

David Dworkin: reflecting on a transformation from holding company to retailer

Associate income fell to £1.8m (£2.6m) due to the timing of sales in the property joint venture. Mr Dworkin said the associate contribution for the year should match last time's £4.9m.

Interest took £3.1m, against a £600,000 gain previously. But the group is due to receive cash totalling £100m from the Richards and Habitat disposals, which should give it net cash by the year end.

At the half-year stage net debt stood at £80.5m (£82m), although this is a seasonal peak for borrowings in the run up to Christmas.

There was a net charge below the line of £20.4m relating to the disposals, and after a maintained interim dividend of 2.5p, there was a net loss of £27m. Earnings per share were 0.5p (2.3p deficit).

● COMMENT

The Storehouse recovery is well and truly underway. There is now a momentum to sales which should carry on even as BhS comes up against tougher comparisons. Margin improvements may slow as the emphasis on value-for-money increases, though the reduction in mark downs is encouraging. Much of the immediate recovery is in the share price. With forecasts of £40m pre-tax for the current year (against £15.8m) and perhaps £65m next, the prospective p/e is up with events at about 28, falling to 17. But the longer term potential is clear in the poor job BhS is still doing in many departments, while Mothercare is two years behind BhS in its revitalisation.

Blagden shares fall 59p after warning on core activity

By Richard Gourlay

SHARES in Blagden Industries, the packaging and chemicals group, plunged 59p to 144p yesterday after the company warned that its core packaging division would be hit in the second half.

Group pre-tax profit for the full year was "now expected to be significantly lower than the £11m achieved in 1991."

The balance sheet remained strong and trading at the chemical and protective equipment divisions had held up well. All product areas remained profitable, Blagden said.

The warning comes only three months after profit increases across the board were reported at the interim stage. Pre-tax profits for the six months to June 28 rose 11 per cent to £6m.

Mr Lance Levine, finance director, said a very poor September and October had followed a poor July and August, two months from which the company never drew any conclusions.

"Trading profits in the group's packaging division, particularly in the UK and Germany, have increasingly been severely affected by the deepening recession."

In the past, Blagden's high exposure to continental Europe had sheltered it from the downturn in the UK. "What is being seen is a deterioration in the European markets in general," Mr Levine said.

Because packaging was a business with high fixed costs, the 15 per cent drop in volumes had a significant impact, Mr Levine said. Packaging accounts for about 70 per cent of group sales and more of its profits.

The group had bucked the market trend in the first half and had been hit by recession particularly late in the cycle.

CE Heath cuts dividend after decline to £8.9m

By Richard Lapper

CE HEATH, the insurance broker, has cut its interim dividend after announcing a fall in pre-tax profits from £12.3m to £8.9m for the six months to September 30 1992.

The group was badly affected by the weakness of the dollar earlier this year, low interest rates and recession in the UK, which depressed demand for commercial insurance, explained Mr Michael Kier, chairman.

Earnings per share were 7.6p compared with 12.1p.

The interim dividend is reduced to 5p, compared with 7.5p last time.

Mr Kier said the "prudence dictated that the group pays a dividend which it can sustain from its operating cash flow."

He said the final dividend will not be less than 11p, making a total of 16p.

Income from brokerage fees and commissions rose to £51.2m (£46.1m), an increase of 11 per cent.

Computer services generated income of £20.6m (£18.7m). But expenses were also higher at £74.2m and investment and other income fell to £7m (£7.7m).

Mr Kier said London market non-marine broking, as well as UK corporate risks and wholesale operations had performed well, although lower business volumes had held back growth of UK retail operations.

He attributed the higher expenses to the cost of starting new broking operations, such as the group's US wholesale network, and the costs of new head office accommodation at Houndsditch.

Currency movements cost the group £1.2m.

After adjusting for these factors brokerage increased by 14 per cent in underlying terms.

Profit from underwriting amounted to £4.2m (£6.9m).

● COMMENT

After briefly dipping in early trading, Heath's share price rose sharply yesterday to close at 308p, a response indicating that investors had already anticipated a cut in the dividend. The markets appear to be impressed by management's determined focus on the core broking business, whose prospects seem reasonably good, especially now that exchange rates are moving in the group's favour. Nevertheless the UK recession, lower interest rates and the tightness of international reinsurance markets could dampen brokerage growth, while underlying continuing exposure to aviation liability claims via its Australian underwriting subsidiary, is also perceived as risk. Even so, the group is well on the way to recording full-year pre-tax profits of at least £24m and earnings per share of about 22p. On yesterday's closing price that gives a prospective p/e of 14. Heath seems relatively good value, especially in comparison to its bigger rivals, Willis and Sedgwick, both of which are on ratings of over 17.

Wassall expects gearing to rise above 50% if bid is successful

By Roland Rudd

WASSALL, the mini-conglomerate run by former Hanson executives, expects its gearing to rise to above 50 per cent if it wins its £94.3m hostile bid for Evode, the chemical and plastics group.

Although its intends to finance the offer through a rights issue, which will raise £103m, Wassall said it might have to pay a further $43m (£28.4m) for Evode's unlisted redeemable preference shares.

These shares are held by US West, one of the US "baby Bell" telecommunication companies and GE Capital, an investment subsidiary of General Electric, the diversified US holding company.

The two companies have the right to ask for immediate repayment on a change of Evode's ownership.

Mr Christopher Miller, Wassall's chief executive, said that since the unlisted preference shares have a high coupon of 13 per cent, US West and GE Capital may not want to force repayment. The shares can be redeemed from 1996.

Nonetheless, Wassall has "facilities in place" to repay the $43m if it wins control of Evode. It also estimates that Evode has bank debt of about £35m.

If it wins control, Wassall expects its year end debt to increase to some £35m, representing gearing of more than 50 per cent. Wassall's borrowings were forecast to fall to £20m.

Mr Andrew Simon, Evode's chairman, would not disclose the company's debt but said it had substantial borrowing facilities which were more than enough to fund its needs.

This brought a sharp rebuke from Mr Miller who asked: "Is it prudent for Evode to be borrowing more. How will they repay that debt?"

Mr Simon said: "I take grave exception that Wassall made no effort to contact me before the morning of the offer and then did not even ask for a meeting. We will not take this lying down."

Rodime in profit with $1.7m

By James Buxton, Scottish Correspondent

RODIME, the disk drive pioneer which now concentrates on licensing its technology, has made its first pre-tax profit since its heyday in 1985.

It also said that on Wednesday it began litigation against Seagate Technology of the US, one of the world's leading disk drive makers, for "continuing wilful patent infringement" and unfair competition.

Rodime made a pre-tax profit of $1.69m (£1.11m) in the year to September 30, against a restated pre-tax loss of $22.4m in 1991. Net profit per share was 0.8 cents (16 cents loss).

Operating income fell from $12.4m to $8.68m. But provisions for investments and liabilities of subsidiaries fell from $28.2m to $0.66m. Interest took $1.7m ($2.8m).

Bank debt fell by $14.5m, but the balance sheet at September 30 still showed net liabilities of $25.68m ($26.8m).

Shares in the Scotland-based company were relisted this August at 2½p after a year-long suspension. In recent weeks they have climbed to 7½p and yesterday closed unchanged at the same price.

Rodime said it was disappointed with progress in licensing talks with "several large disk drive producers."

It wanted negotiated agreements, but would initiate further patent infringement actions if necessary.

Rodime has recovered $12.9m of the $16.9m it hoped to raise from asset disposals.

Mirror shares continue climb

By Raymond Snoddy

THE SHARE price of Mirror Group Newspapers continued its rise yesterday – up 5p on the day to 84p – amid growing City enthusiasm for the management changes that ushered Mr David Montgomery in as chief executive.

It is believed that more than 4m shares have changed hands. The main boost appears to have come from hopes that a cheaper way can be found to modernise printing operations at the Daily Record and Sunday Mail, MGN's Scottish titles. Earlier this year the board agreed to a £70m investment to install new colour printing presses, stored for some time in a disused bus garage in Glasgow due to lack of funds.

Mr Montgomery said he was reviewing the investment at the Daily Record's Anderston Quay headquarters to see whether a cheaper modernisation method can be found. One suggestion is moving to a greenfield site.

Meanwhile, Mr John Talbot of Arthur Andersen, the administrator of Robert Maxwell Holdings, which holds 54 per cent of shares in MGN, revealed that he – rather than the banks – was the prime mover behind the management changes. The RMH shares in MGN are pledged as collateral against loans to a group of banks led by National Westminster.

Immediately following the death of Mr Robert Maxwell Mr Talbot decided to strengthen management.

"I gradually formed that view and the chairman (Sir Robert Clark) also formed that view," said Mr Talbot, adding that it is his duty to maximise the value of shares not just for the banks but for all creditors.

Mr Talbot and Sir Robert felt new management would more likely take radical measures to cut costs and increase profitability than the existing team.

Talks have been held between Mr Montgomery and Lord Hollick, chief executive of MAI, about the possibility of a takeover. They continued after the administrator ruled out an early sale.

A number of alternatives were considered and rejected, including going to head-hunters. But Mr Talbot and Sir Robert decided that bringing in Mr Montgomery, the former Today editor, and Lord Hollick as a non-executive director, was the best way forward.

"The Montgomery team was revealed to the lending banks less than a month before the changes were announced," Mr Talbot said yesterday.

The bankers were concerned there should be no change in the political stance of the papers.

Pressure on British Gas pay-out

By Deborah Hargreaves

Mr Cedric Brown, chief executive of British Gas, reiterated yesterday the company's policy to increase the pay-out but warned it was under pressure.

"Clearly with the threat to the gas business and the more cyclical nature of exploration and production earnings, we may have to assess it."

Analysts believe, however, it may be forced to revise its policy of increasing its dividend in line with inflation if it continues to confront rising competition and lower prices for domestic gas sales.

They forecast that the dividend will remain flat for the next five years as it the company witnesses the erosion of its UK gas business.

Mr Steve Turner, energy analyst at Smith New Court, believes dividend growth will be below earnings in the medium term, which he expects to be "pedestrian."

● COMMENT

British Gas is asking shareholders to be patient while the company undergoes a wide-ranging review by the Monopolies and Mergers Commission, which is unlikely to be completed before next summer. Until it knows the results of the inquiry, the company says it is difficult to plan ahead or institute any sizeable cost-cutting. The shares are offering a yield premium of about 40 per cent over the rest of the market and shareholders may expect to realise value if the MMC forces the company to break itself up. But dividend growth could be threatened by the continuing pressure on the company's UK business. Although profit forecasts range widely, there is a common feeling among analysts that British Gas will lag the market once the economy starts to come out of recession.

ICI may be forced to postpone Zeneca move

By Paul Abrahams

IMPERIAL Chemical Industries, the UK's biggest manufacturing company, may be forced to postpone the demerger of Zeneca, its bioscience business, broker Smith New Court said yesterday.

It also warned that ICI might need to reappraise its dividend policy because of poor trading conditions.

In the first detailed analysis of the proposed demerger of ICI's pharmaceuticals, agrochemicals and specialities businesses, Mr Charles Lambert, chemicals analyst, valued the separate businesses at 950p per share. On current conditions ICI was worth 350p and Zeneca 600p.

The group would have to put most of its debt into Zeneca so the new ICI could generate sufficient cash flow to ensure its dividend.

A share issue by Zeneca to clear the debt was a pre-requisite for the separation, Mr Lambert said. He thought this was most likely to be on a 1-for-4 basis, raising £1bn.

A demerged ICI had massive scope for recovery, said Mr Lambert. He reckoned that the group would generate pre-tax profits of £643m in 1995, against an estimated £147m this year.

However, he warned that market conditions suggested the new ICI's dividend would be uncovered in 1993, posing a real problem for the demerger's timing.

The report predicts that Zeneca's pre-tax profits would increase from £428m this year to £712m in 1995. However, Zeneca's pharmaceuticals business, which generates 75 per cent of its turnover, has a mature product portfolio. Its pipeline of new products was described as "somewhat lack-lustre" and weighted towards the second half of the decade.

The pharmaceuticals division's turnover could increase from £1.59bn last year to £2.24bn by 1995 and trading profits from £538m to £648m.

Sales of Tenormin, Zeneca's best-selling heart drug, are forecast to fall from £652m last year to £411 by 1995.

● SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, yesterday acquired ICI's world-wide Corsodyl business for an undisclosed sum.

Touche Ross bids for Praxis

TOUCHE ROSS, the accountancy firm, yesterday launched a £6.5m offer for Praxis, the software development company, and claimed irrevocable undertakings from directors and some shareholders speaking for 74 per cent of the equity, writes Andrew Jack.

The offer document sent to shareholders yesterday sets a price of £1.1255 per share and a related consideration for all options under the company's share save scheme.

Mr John Connolly, Touche Ross London managing partner, said the acquisition would boost the firm's aim of increasing consulting revenues from 16 per cent to 20 per cent, and strengthen its ability to develop software for clients.

He said Praxis would continue to work as a "stand-alone division" and continue to operate as a company. The acquisition was being funded using "internal finance."

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ACT	Int	1.78†	Jan 8	1.6	-	4.5
Bristol Post	Int	4	Feb 1	3.75	-	11.5
Cable & Wireless	Int	4.75	Feb 26	4.25	-	13.25
Cater Allen	Int	7	Jan 4	8	-	26
Filofax	Int	0.5	Apr 2	nil	-	0.5
Forward Group §	Int	1.3	Dec 31	1.1	-	2.5
Heath (CE)	Int	5	Jan 7	7.5	-‡	25.875
Henderson Strata	fin	1.4	Jan 22	1.4	1.4	1.4
Hogg Robinson	Int	2.6	Jan 15	2.5	-	8.3
Locker (Thos)	Int	0.35	Jan 4	0.35	-	1
Penna §	Int	3	Jan 14	1	-	2
Sherill §	fin	1	Feb 4	0.75	2	1.5
Shires Inv	Int	4.2♠	Jan 29	4.2	-	18.4
Storehouse	Int	2.5	Feb 11	2.5	-	5
York Water	Int	3.05	Jan 26	2.8	-	8.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Final of not less 11p indicated. ♠Total so far this year 8.3p

Bad debts hit National Australia's subsidiaries

Yorkshire Bank down 40% in 'tough year'

By Matthew Curtin

YORKSHIRE BANK, a subsidiary of National Australia Bank, yesterday reported a 40 per cent drop, from £107m to £64.6m, in pre-tax profit in the 12 months to September 30 following a steep rise in the provision for bad debt.

Mr David Knight, chief executive, said the bank had pulled through a tough year, but confidence last November that loan loss provisions would not rise significantly had proved misplaced.

The charge for bad debts jumped from £76.1m to £133.9m.

Mr Knight said: "There was a degree of optimism at the start of the year, but not only was there no recovery, conditions deteriorated. In addition, we felt the impact of the recession moving north."

However, he said the bank's retail business performed well, increasing its share of core markets and tightening its control of costs.

Total assets were £4.24bn (£4.41bn).

The cost/income ratio was 46.7 per cent, compared with 47.5 per cent, which Mr Knight said confirmed Yorkshire's position as a low cost operator.

The balance sheet remained strong with tier 1 and tier 2 capital at 6.8 per cent and 2.8 per cent of total assets respectively.

The bank's branch network continued to expand, with five new branches opened in King's Lynn, Cheltenham, Gloucester, Telford and Stevenage.

● Belfast-based Northern Bank, another subsidiary of National Australia, also suffered an increase in bad debt provisions.

They amounted to £7.61m (£4.69m) but were described by Sir Desmond Lorimer, chairman, as "well below the norm for clearing banks in the British Isles".

There was an exceptional charge of £7.85m (£1.5m), to leave pre-tax profit down 26 per cent at £43.1m (£58.6m).

The exceptional charge covered a judgment in the Irish High Court in respect of a claim brought by a Norwegian bank, relating to a foreign trade transaction originating in 1986 in the Republic.

An appeal has been lodged.

"We are weathering the recession well" Sir Desmond added. "We have a dominant position in the market-place, an asset book of sound quality and a strong capital position."

Redundancy costs cut Clydesdale

By James Buxton, Scottish Correspondent

CLYDESDALE BANK, the Glasgow-based subsidiary of National Australia Bank, saw its pre-tax profits fall by £5m to £59m for the year to September 30.

Operating profit was 13 per cent higher at £67.4m (£64m), despite a jump from £28.9m to £37.4m in provisions for bad and doubtful debts.

The pre-tax figure was after exceptional charges of £8.4m to cover redundancy costs.

A year ago the bank, which was bought in 1987 from Midland Bank, began to shed 700 jobs at its Glasgow head office as new technology came into use.

Staff numbers have fallen by a total of 530 to a little less than 7,000, half through redundancies and the rest by natural wastage.

Sir David Nickson, who last December succeeded Sir Eric Yarrow as chairman, described the results as "not unsatisfactory" in the "worst worldwide economic recession since the 1930s".

But Mr Charles Love, who recently took over as chief executive from Mr Richard Cole-Hamilton, said he did not expect recovery in the Scottish economy until 1994. "There are no green shoots in Scotland."

Mr Cole-Hamilton, who leaves the bank at the end of the year, said that bad debt provisions accounting for 0.88 per cent of total lending compared well with other banks. Clydesdale, which operates mainly in Scotland, had steered clear of problems in the City of London, but "the recession has gone on too long for a lot of our customers in Scotland".

Staff costs rose by 1 per cent, while other costs went up by 4 per cent. The cost/income ratio was static at 67 per cent including the exceptional item, but fell to 64.5 per cent without it. Total assets grew 12 per cent to £5.7bn.

Mr Love, formerly chief executive of TSB Bank Scotland, said that he saw opportunities for the Clydesdale to "leverage in" lessons from the parent company.

He wanted to fill holes in the bank's coverage of the Scottish market by developing a greater presence in the east of the country. Its strengths at the moment are in the Glasgow area and around Aberdeen.

NAB results - Page 27

Penna up 18p as recovery continues

SHARES IN Penna, the holding company for the Sanders & Sidney outplacement consultancy, yesterday rose 18p to 224p as the company continued its recovery from last year's losses, writes Andrew Bolger

Pre-tax profits were £1.03m in the six months to September 30, compared with a loss of £251,000 last time. Turnover rose from £3.25m to £5.42m.

The shares, one of the best-performers on the USM last year fell from a peak of 328p to 80p after a profits warning

in October. In December the company produced even worse figures than predicted.

Mr John Beard, chief executive, said the group had achieved its objective of building on the improved performance in the second half of last year.

Sanders & Sidney, the executive employment counselling specialist, said there was a strong advance in all its offices and all sectors.

Mr Beard said: "The outlook for Sanders & Sidney in the second half is encouraging.

Earnings per share were 13.9p (losses 3.9p). The interim dividend is 3p (1p).

See Observer

Sullivan trying again for the Post

By Raymond Snoddy

MR DAVID Sullivan, the controversial publisher of the Sunday Sport, is planning to try again to get a controlling interest in the Bristol Evening Post group.

An approach was blocked two years ago by Mr Nicholas Ridley, the trade and industry secretary, after a Monopolies and Mergers Commission investigation on the grounds that it would not be in the public interest.

As the Bristol Post yesterday revealed a 44 per cent increase in pre-tax profits to £2.83m in the six months to September, Mr Sullivan said he planned to return to the MMC.

"Last time I had no track record in running newspapers apart from the Daily Sport; now I have the Sunday News and Echo," Mr Sullivan said. The News and Echo is an orthodox newspaper circulating in the north of England with a claimed circulation of about 70,000.

Mr Sullivan, an unwelcome 10 per cent shareholder in the Bristol Post, described the results as competent rather than brilliant.

"They are gradually doing things I said they should do such as closing down newsagents that weren't making money," he added.

Bristol Post's pre-tax profit increase, from £1.96m last year, was achieved despite static turnover of £17m in the main newspaper publishing business and a depressed advertising environment.

Mr Michael Gay, chief executive, said the group was benefiting from rationalisation and improvements to operating methods. In the main newspaper division staff numbers had been reduced by 14 per cent, or

David Sullivan: "doing things I said they should do"

127. Further cost savings are likely at the group, which also runs confectionery and newsagent shops and has distribution and property interests.

Mr Gay said changes were not related to the presence of Mr Sullivan, who had been seeking, unsuccessfully, a seat on the board to give "a younger, more dynamic input to the company."

Technological developments and lower advertising volumes will enable the group to make a further reduction of more than 50 staff this year.

The £830,000 trading profit in the newspaper division was greater than that in the 52 weeks to the end of March. All sections increased their profits; group sales rose nearly 3 per cent to £30.9m.

Earnings per share rose to 7.95p (6.04p) and the interim dividend is lifted to 4p (3.75p).

Mr Mark Beilby, media analyst at stockbrokers SG Warburg, described the result as a solid set of figures. "It shows that newspaper groups can do pretty well despite the recession."

NEWS DIGEST

Early Xmas orders lift Filofax

A SIGNIFICANT increase in sales and improved gross margins lifted Filofax Group in the six months to September 30 1992.

Turnover rose to £6.18m (£4.81m) and pre-tax profit to £950,000 (£274,000). Mindful of that success and confident of strong trading through Christmas, directors declared an interim dividend of 0.5p.

Mr Robin Field, chief executive, said the sales growth was assisted by retailers worldwide ordering for Christmas earlier than they did previously. There had also been a significant contribution from mid-year products launched specifically to counter the market seasonality of the business.

Growth in the US continued to be encouraging and, dependent on the level of the dollar, 1992 might see sales there exceed those in the UK for the first time.

Earnings per share were 4.3p (1.5p). For the previous 15 months to March 31 1992 there was a single dividend of 0.5p.

Forward Group jumps to £491,000

Forward Group, the USM-traded circuit board maker, staged a recovery, with pre-tax profits ahead from £203,000 to £491,000 in the half year to July 31.

Turnover rose £1.1m to £5.77m and generated an operating profit of £597,000 (£316,000). Earnings per share expanded to 4.5p (1.9p) and the interim dividend is raised to 1.3p (1.1p).

Thomas Locker sees modest growth

Thomas Locker (Holdings) stayed in profit for the first half and expects the full year to show a modest improvement over the £306,000 pre-tax achieved in 1991-92.

In the six months to September 30 this general engineering group made a profit of £188,000, compared with losses of £217,000, from turnover of £18.7m (£18.2m). Earnings per share were 0.4p (losses 0.61p) and the interim dividend is again 0.35p.

Sheriff shares rise on doubled profits

Shares in Sheriff Holdings, the USM-quoted plant hire group, rose 10p to 68p following the announcement of more than doubled pre-tax profits in the year to September 30 and the raising of £2.85m net by subscription and open offer.

Mr Richard Dunn, chairman, said that the result, up from a depressed £312,000 to £686,000, was achieved with strong contributions from the core business and acquisitions made during the year.

Cash generation reduced gearing from 85 per cent following the acquisition of Abelson in December last year to 48 per cent at the end of the year.

To assist further acquisitions, The Causeway Smaller Quoted Companies Fund has subscribed for almost 4m shares at 75p. There is an open offer to shareholders on a 8-for-13 basis.

Causeway could have a maximum holding of 38 per cent but the requirement to make a full offer has been waived by the Takeover Panel.

Turnover improved 15 per cent to £10.6m (£9.15m). The pre-tax figure was struck after interest charges of £312,000 (£212,000). Earnings per share were 6.7p (3.4p) and a final dividend of 1p is recommended for a total of 2p (1.5p).

York Waterworks rises to £1.28m

York Waterworks raised pre-tax profit from £1.17m to £1.28m in the six months ended September 30 1992, and is lifting the interim dividend from 2.8p to 3.05p.

Turnover rose from £3.4m to £3.66m principally as a result of the April tariff increase. Sales by meter had not been affected by the depressed economy, but the growth in domestic sales slowed because of the reduction in housebuilding.

Earnings per share came to 12.9p (12.3p).

Reshaped Fulcrum reports £494,000

Fulcrum Investment Trust, the Harrogate-based split capital investment trust, which in the summer extended its life via a rights issue and placing, yesterday announced net revenue of £493,700 for the six months to October 31.

Under the refinancing arrangements, the year end was changed to April 30, so comparisons are not possible.

Earnings per income share stood at 4.4p on the increased capital.

Henderson Strata net assets static

The net asset value of Henderson Strata Investments showed a marginal improvement – from 185.3p to 186.3p – over the 12 months to October 31.

The investment trust produced attributable revenue of £221,000, against £237,000, for earnings of 1.45p (1.56p) per share. The single distribution for the year is maintained at 1.4p.

M&G Recovery and M&G Income

Two new M&G funds have announced results and dividends.

At September 30 1992, M&G Recovery Investment Trust had a net asset value of 32.13p for capital shares and 47.32p for zero dividend preference shares.

The trust was launched in March. It paid an interim dividend of 0.85p in September and has now declared a further 0.85p towards meeting its forecast of a 3.75p total for the year ending March 31 1993.

Net revenue for the period to September 30 was £3.31m for earnings of 2.55p per share.

M&G Income Investment Trust, launched in October 1991, saw gross revenue reach £18.9m for the period ended October 31 1992.

Earnings per share were 5.3p and a fourth interim dividend of 1.3875p is declared to make 4.9125p.

Net asset value on October 31 for the capital shares was 50.06p and for the zero dividend preference shares 38.17p.

Correction

Sir Leslie Porter has retired from Tesco. In yesterday's story on LBC we referred to him as president of Tesco.

Capacity to be cut by a sixth in response to fall in demand

Blue Circle cement cuts please City

By Andrew Taylor, Construction Correspondent

BLUE CIRCLE Industries warned yesterday that the cost of closing down a sixth of its UK cement capacity would reduce its operating profits this year by £58m. More than 500 jobs are to be axed.

However, the company repeated its pledge to maintain total dividends at 11.25p for the year to December 31.

The move, in response to a big fall in demand for cement from the construction industry, was welcomed by brokers and the shares rose 2p to close at 177p.

The group said that the £58m closure provisions and a £20m UK property loss this year would be offset at the operating profit level by net sale proceeds of £44m, mostly from the disposal of the South African building materials business.

Previously the sale proceeds would have been included below the line. Blue Circle said that the changed treatment was required under the new FRS 3 accounting standard introduced by the Accounting Standards Board at end of last month.

Brokers, following the announcement, reduced their forecasts for pre-tax profits this year from between £100m and £115m to between £60m and £80m.

Mr Keith Orrell-Jones, managing director, said the company planned to reduce its UK cement manufacturing capacity by 1.2m tonnes to 6.7m tonnes. It intends to close one kiln and mothball another at its Northfleet Works in Kent. This would leave just one kiln working at the plant compared with six kilns 20 years ago.

The company is also closing 13 of its 23 UK cement distribution depots. It said that a total of 550 jobs would be lost, representing about a fifth of its current UK cement workforce.

Most of the jobs were expected to go through compulsory redundancy and would affect management as well as blue collar staff. Approaching half of the provision would be used to meet redundancy costs.

Blue Circle, which produces about half of all the cement sold in the UK, blamed the recession in the construction industry for the cutbacks.

Mr Orrell-Jones said that construction output would not climb back to previous levels even when the market recovered.

Annual sales by UK cement manufacturers since 1989 had fallen by a third from 17.5m tonnes to a little less than 12m tonnes this year. This compared with an industry capacity, before the latest reduction, of more than 14m tonnes.

Mr Orrell-Jones said that the benefits of the rationalisation would start to show through in improved profits within a year of it being implemented.

Keith Orrell-Jones: output not expected to recover fully

See Lex

ACT rise falls short of estimates

By Alan Cane

ACT, the acquisitive computing services company, announced interim pre-tax profits of £9.54m, up 25 per cent on last time but at the lower end of City expectations.

The shares fell 9p to 146p.

Turnover rose 37 per cent to £72.1m (£52.6m) in the six months to September 30. Earnings per share, however, were only 4 per cent ahead at 5.34p, reflecting the acquisition strategy. The interim dividend is raised to 1.75p (1.5p). Cash balances stood at £21.3m.

The outstanding performer among the new acquisitions was Kindle, the Irish financial software house, which turned in a profit contribution before tax of £4.2m.

The figure ensures that Kindle's directors will be paid an earn-out fee of £5.5m.

Mr Roger Foster, ACT chairman, said the earn-out payment meant the company had been acquired on a p/e of about 6.2: "It looks like the most outstanding acquisition we have done".

On the debit side, two of ACT's previously profitable divisions both lost money in the first half.

Medisys, which provides financial systems, lost £150,000 chiefly because of uncertainty among trust hospitals over the general election result.

Logsys – whose customers are principally central government departments – lost £800,000 during its transformation from computer hardware supplier to systems integrator. Both divisions now operate profitably, Mr Foster said.

The acquisition of NMW Computers, which would enhance ACT's strength in stock processing and delivering and give cost savings in data processing, has been delayed while the Office of Fair Trading considers ACT's market share in stock processing. Mr Foster said he was confident the deal would go through.

Hogg Robinson slips to £10m in weak markets

By Angus Foster

HOGG ROBINSON, the travel, transport and financial services group, experienced a slight fall in interim profits reflecting weakness in the business and leisure travel markets.

Pre-tax profits slipped from £10.9m to £10.1m in the six months to September 30. Turnover increased 10 per cent to £57.1m helped by acquisitions.

"In the circumstances, this is a pretty good set of results," said Mr Chris Brown, finance director.

Operating profits from travel fell from £5.53m to £4.34m. Business travel, which accounts for about 60 per cent of the division's turnover, was affected by the recession and companies' tight control of travel budgets. Leisure travel was hit by price discounting as tour operators overestimated demand following the collapse of International Leisure Group.

The transport division, which covers commercial freight operations in Europe and the Falklands, increased profits 50 per cent to £3.17m. Most of the rise came from Dens of Belgium.

Financial services continued to see growth from advising on corporate pensions and lifted profits 6 per cent to £2.34m.

Net cash fell £1m to £29m and interest earnings were lower at £1.16m (£1.81m).

Earnings fell to 9.35p (10.03p) but the interim dividend is increased to 2.6p (2.5p).

■ COMMENT

Times obviously remain tough in travel. While price cutting on the high street grabs the headlines, the downturn in corporate travel budgets – initiated ahead of the Gulf war – is more damaging. Business travel will also be affected by sterling's fall in value. Companies will have another reason to stop executives upgrading to business class. But Hogg's performance elsewhere was encouraging, especially at Dens, giving grounds for optimism in the longer term. Before then, Hogg is looking to spend some of its cash pile on acquisitions, probably in the travel division. Full year forecasts of £15m put the shares on just over 12 times, suggesting there is room for growth once consumer and corporate confidence returns to the travel market.

Alliance winding up order abandoned

By Peggy Hollinger

GIROZENTRALE Gilbert Eliott has abandoned its attempt to wind up a former client, Alliance Resources, the Louisiana-based oil and gas company which it brought to the market in 1991.

The broker has reached an agreement with Alliance over its claim for £38,346 in flotation fees. Cash-strapped Alliance had already paid £71,635 in fees but disputed the outstanding amount.

Alliance, which remains in receivership, also announced a series of board changes, which resulted in the reinstatement of former chairman Mr John O'Brien and the appointment of two new non-executive directors, Mr Marcus Black and Mr John Craven. Mr Don Bealer, former vice-chairman, has resigned.

The group was put into receivership last month by the unquoted Manx Petroleum, where Mr O'Brien is managing director.

Manx claimed that Alliance had defaulted on the terms of a management agreement and a $200,000 (£132,000) loan following the surprise dismissal of Mr O'Brien.

Cater Allen gets benefit from lower UK rates

By Richard Waters

CATER ALLEN yesterday became the latest discount house group to announce strong profits on the back of falling UK interest rates, though it continued to refuse to comment on whether it is discussing a takeover of rival Union Discount.

Outlining the group's plans, Mr James Barclay, chairman, said: "We're in the business of building on what we've already got ... We don't want to over-diversify."

Ill-judged diversification into leasing and property in the 1980s has brought losses at Union Discount, culminating in news on Wednesday that it is discussing a possible takeover.

Mr Barclay refused to be drawn on whether absorbing a rival discount house would meet his objective of strengthening Cater's existing businesses. He added: "If Union Discount disappears, it would be a disappointment to me."

Cater did not publish figures for the six months to the end of October, but said that its discount house, stock lending and Jersey businesses had "performed particularly well." Also, futures broking is reported to have improved and to have shown a profit. Losses on the group's business at Lloyd's, where it operates both as a managing agent and a members' agent, were larger than in the first half of last year.

Mr Barclay said the group had not made large profits when sterling sank out of the ERM in September, but that discount houses always did well when interest rates were falling – a factor which had made November a good month so far, as UK base rates fell again last week.

Cater is raising the interim dividend by 1p to 7p, though Mr Barclay said this did not indicate it was planning to lift its final dividend as well.

Critchley debut with £25.4m tag

By Richard Gourley

CRITCHLEY, the maker of electrical cable accessories, will begin trading next Thursday with a market capitalisation of £25.4m.

SG Warburg Securities, the company's adviser, said yesterday it had placed 6.7m shares at 220p with a number of institutions and with some brokers for private clients.

The issue will raise £14.7m and leave Critchley with net cash of about £3m.

The pricing puts the group on a substantial discount to Bowthorpe and Volex, companies with which it is sometimes compared with.

Critchley will come to the market at 14.4 times historic earnings, while on prospective earnings of 18p per share.

The shares will start with a multiple of 12.3.

This is based on forecasts of £2.8m pre-tax profits for the year.

The dividend yield, based on a notional net dividend, is 3.7 per cent.

Barrett founders lead £15m buy-out

By Andrew Bolger

THE CORE businesses of Henry Barrett Group, the Bradford-based company which went into receivership last week, have been sold in a management buy-out worth £15m.

A new company, Barrett Steels, has acquired the group's steel stockholding and steel buildings businesses, employing 450 people and still trading profitably, with a combined annual turnover of £[illegible]m.

Mr James Barrett and his brother, Richard, members of the group's founding family, will lead the buy-out, which has been backed by Granville Development Capital and Apax Partners.

The team is paying the receivers, Grant Thornton, £12m. The new company has been financed by £6m equity, £6m in term loans and a £3m working capital facility.

Mr Allan Griffiths, one of the receivers, said that as well as paying the purchase price, the new company would assume about £17m of the parent group's total debts of £40m-£45m.

Mr Griffiths said it was an unusual situation, in that talks regarding sales of the two businesses were well advanced when the receivers arrived, keeping the companies out of receivership.

The two companies had been extensively marketed over the summer and received several bids, of which the existing management's was the highest. The receivers soon hope to sell Lindapter, the group's special fastenings company, which was also kept out of receivership.

Touche Ross in Leeds acted as lead financial advisers to the management and Simpson Curtis were legal advisers. KPMG Peat Marwick gave financial advice to the investors and Evershed Hepworth and Chadwick were legal advisers.

Henry Barrett was floated in 1987 and undertook an aggressive diversification policy to reduce its dependence on steel. The buy-out team said the parent company's financial difficulties were due largely to the underperformance of these acquisitions.

Henry Barrett Group plc

(In Receivership)

The following subsidiaries are mainly involved in contracting for construction industries, operating throughout the U.K. and overseas.

There is also a portfolio of freehold properties and investments available for sale.

OSS Origo
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- Annual turnover £3 million

HB Projects
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- Construction project management
- Annual turnover £2 million
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Don Reynolds
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- Patented technology
- Freehold site
- 74 Employees
- Annual turnover £9 million
- International joint ventures

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Wetherby

- One of the three principle manufacturers of tubular steelwork for the UK construction market
- History of prestigious contracts
- Highly skilled workforce
- Leasehold site
- 64 Employees
- Annual turnover £6 million

For further details contact the Joint Administrative Receivers:
Allan Griffiths, Peter Flesher and Geoffrey Gee, Grant Thornton, Eldon Lodge, Eldon Place, Bradford BD1 3AP. Tel: 0274 734341. Fax: 0274 390177.

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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  Hickman Building and Civil Engineering Limited – Brierley Hill, West Midlands.
  MA Boswell (Contractors) Limited – Shrewsbury.
- Property development – various properties in West Midlands and Cheshire.
  Thoroughbred Commercial Developments Limited.
- Joinery and laminating business.
  Architectural Postforming and Joinery Limited – Brierley Hill, West Midlands.

Enquiries to the Joint Administrative Receiver of Hickman Boswell plc, SRE Hancock, Price Waterhouse, Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT. Tel: 021-200 3000. Fax: 021-200 2464.

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Cleveland Shotblasting Ltd.

The Joint Administrative Receivers offer for sale the business and assets of Cleveland Shotblasting Ltd., an established shotblasting and painting company, located in Thornaby, Cleveland.

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For further details please contact our agents: Richard Woodhead, Robert Barry & Co, 7 Upper Grosvenor Street, Mayfair, London W1X 9PA. Tel: 071-491 3026. Fax: 071-629 9373.

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JOBS: Rare headhunter who still treats rejects as though they're worth more than ten a penny

The cost of a touch of human decency

By Michael Dixon

WHAT price a bit of human decency? "Well, it's a mite controversial," replied headhunter Terry Ward. "I put it at about £1.50 a head, but my wife reckons £2 – though she includes secretaries' time, which doesn't strike me as justified. They'd be here anyway, you see, even if we weren't doing it...."

All of which rather took the Jobs column aback. My last wish in asking the question was to stir up marital disagreements. What prompted it was just journalistic impulse in line with the old saw which, before the fuss over pit bull terriers at least, stated that while dog bites man is commonplace, man bites dog is news.

One thing rarely missing from the postbag is complaints from job-seekers about recruiters, and *vice versa*. They have been biting one another so regularly for so long that, with the idealism of mere middle-age in 1978, I proposed a peace treaty which Britain's Institute of Personnel Management developed into its professional recruitment code.

Alas it has not proved very effective, especially these past two years. Indeed, to judge by the current gnashing of teeth on both sides of the employment market, it seems clear that whether or not the first casualty of war is truth, considerate treatment is an early one of recession.

Hence this particular hack's delighted surprise when a reader wrote in praising a headhunter to whom he'd applied for a job, even though he'd been rejected without nearing the interview stage.

That in itself is nothing new to the reader concerned, since he has vainly applied for a couple of hundred others over 18 months or so. Mostly, he had no response at all. The sole exceptions, he says, were brief acknowledgments from employers recruiting directly, and from a few "quality agencies such as NB Selection, MSL and Selector".

But on this latest occasion, the reader adds, back came a reply which despite being a rejection, shows "human understanding of applicants' needs". And having read the copy he sent along, I can see why he was so pleased.

Although confessing itself "a standard letter", it focuses its 400-plus words on the specific job for which he had applied. "The response included several videos, many customised and beautifully presented applications, and even one compact disc," it says. "We received nearly 400 applications and my interview programme includes 39 people."

Then after indicating why the reader was not one of them, the headhunter adds: "However, I may well have thrown out the odd baby with the bath water – probably you! – but I hope you will appreciate my position."

What particularly pleased me was that the signature below was that of Terry Ward, whom I've known for years. He began his recruitment career with Ford, and since 1987 has been running the Ward Executive consultancy in Richmond-upon-Thames, in conjunction with his wife Claire.

So I telephoned him and asked how much it cost to respond to rejected applicants with such care when as many as 400 of them come in for a single post.

His reply was that 400 was below average these days. On three occasions fairly recently he has had over twice as many – which in each case works out at a response cost of £1,200-plus at his estimate and more than £1,600 at Mrs Ward's higher figure.

"It's irritating at times because a lot of applicants are totally unsuitable," he said, "and at first we just sent printed cards. But when they started coming back with rude words on them, we realised they were making some people feel insulted, and began doing the job properly. We feel it's definitely worth while."

Why?

"Well, it's partly commercial. In this business it's wise to view every candidate as a potential client. But that's not the main reason. After all, even at £2 a head, it's a small price to pay for treating someone decently."

NOW to the table alongside, which gives indicators of prevailing pay levels in City of London banks, as revealed by Day Associates' latest survey.

Compiled at the beginning of this month, it is based on data supplied by 111 assorted banks and covers 230 jobs from general manager to messenger. But anyone wanting the full report will need to contact Joe Clark at Suite 2.31, 75 Whitechapel Rd, London E1 1DU; tel 071-£375 1397, fax 071-375 1723. The VAT-inclusive price is £141 to concerns which take part in the exercise, and £200 to others.

My extracts – which like all such survey figures provide at best a rough guide to the real state of pay – are confined to 16 managerial posts. First we have basic salaries. The lower quartile refers to the person a quarter way up from the foot of a ranking of all in the same type of job, the median to the person mid-way, and the upper quartile to the one a quarter way down from the top.

Next comes the average salary and the percentage of it typically received as a bonus. The last two columns show the percentage of the job-holders with a company car, and its average price.

SALARIES, BONUSES AND COMPANY CARS IN CITY OF LONDON FINANCE SECTOR

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Avge bonus %	Coy car %	Avge price of car £
Equity trading head	100,000	110,000	130,000	112,000	25.2	80	15,500
Capital markets head	99,800	104,377	120,000	107,997	46.0	100	23,314
Corporate finance head	85,000	102,500	123,200	107,824	19.4	100	24,598
Eurobond trading head	71,000	93,280	130,000	98,456	60.0	80	18,365
Fund management director	85,000	91,500	105,250	94,472	15.8	100	22,777
Bond sales head	79,000	90,000	100,000	89,317	16.5	90	18,931
Head of research	82,360	86,000	94,080	87,108	11.3	100	18,983
Personnel director	60,125	82,952	92,600	79,726	18.6	83	18,467
Chief fx dealer	62,800	75,800	93,450	80,661	25.4	96	18,633
Financial director	61,560	69,000	72,000	73,943*	14.3	100	20,665
Legal services head	60,000	65,600	80,448	67,221	31.0	100	18,884
Money markets head	54,337	65,550	87,000	70,659	31.9	100	18,162
D-P director	54,000	61,640	66,250	61,297	10.0	100	17,800
Private banking head	50,000	55,000	65,000	52,912	18.8	84	19,596
Credit manager	36,000	41,250	43,680	40,692	7.7	80	15,599
Customer services head	24,150	26,500	34,750	28,086	9.4	53	12,810

*Average inflated by one ginormous salary among the sample of 11 people.

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ACCOUNTANCY COLUMN

Act of charity brings audit day of reckoning

Andrew Jack explains why non-profit organisations have to take financial reporting more seriously

BRITISH CHARITIES may soon be forced to drop their collecting tins and cheque books and turn instead to their computer spreadsheets as a whirlwind of change forces them to take financial reporting seriously.

After years of neglect, a substantial cultural shift and a series of new guidelines and legislation are rapidly bringing accounting matters in the sector to the fore. Moral suasion is being replaced with tougher demands for compliance.

The next *few* months should bring considerable reform. Most important are several regulations to supplement the 1992 Charities Act, specifying how charities present and audit their accounts, and an up-dated version of SORP 2, the statement of recommended practice for charity accounts.

The Charities Commission is expected to issue a consultation document up-dating SORP 2 by the end of January. The Home Office will be releasing details of several statutory instruments by early next summer to cover the elements to be contained in accounts; the content and format of reports; and the duties of auditors.

By next September, there should be requirements in place on what accounts will contain. All charities with annual income in the current or previous two years above £100,000 will require annual scrutiny by a professional auditor, and those with income above £1,000 by an "independent examiner". All will also be required to file accounts each year.

The current pace of reform is not limited to Britain. Last month the Financial Accounting Standards Board in the US issued a consultative document on financial statements for not-for-profit organisations as part of a wider programme of sector reform.

There is undoubtedly a need for greater attention to responsible financial management and accountability. Charities have substantial tax privileges. They rely on contributions made in good faith by the public or government. They are also big business. Estimates suggest there may be 300,000 or more total charities, with annual income of at least £16bn.

Yet observers do not need to look very far to see the extent of existing neglect. Last year there were nearly 135,000 principal charities registered with the Charity Commission. The proportion of these that got as far as submitting accounts was just 11 per cent in 1989.

Thanks to computerisation and greater efforts to chase up delinquents, that figure has risen substantially and the commission is confident it can collect more than 80 per cent of accounts by 1994. Yet last year it still remained at only 46 per cent.

There is little guarantee of the quality of financial information even among those charities which do file accounts. In 1988, the Accounting Standards Committee issued SORP 2. But the guidelines are entirely voluntary. They have also been criticised for being too flexible.

There is also little data on the extent of compliance with SORP 2. But one barometer of the quality of information is this week's charity annual report and accounts award sponsored by the Institute of Chartered Accountants in England and Wales, the Charities Aid Foundation and the Charity Forum.

This year there were only about 330 entries, down from a peak in one year of 500. The judges believe charities may have been put off by details in the application form showing elementary mistakes made in the past. But a good number of submissions still suffer the same faults, including points as basic as no accounts attached or the balance sheet being unsigned and undated, let alone failure to comply with SORP 2.

There is a need for charities to give greater attention to responsible financial management and accountability.

That said, Sir Christopher Collett, chairman of the judges, believes there has been a marked improvement in the quality of charity accounts in the last few years. There has also been a great rise in interest in the subject.

Mr Adrian Randall, finance director at the Cancer Research Campaign and another judge, says: "There has been tremendous improvement in the last two years. Charities are waking up to the fact that we are publicly accountable."

Given the diversity of the sector, it is difficult to generalise. Many thousands of charities are limited liability companies, registered with Companies House and obliged to file annual accounts. Many of the larger organisations are already externally audited, and show a high degree of compliance with SORP 2. For smaller charities, the pattern is more disappointing.

There is understandable caution about what they want to reveal. Mr Peter Scott, an accountant and financial publisher compiling a directory of charity accounts, says: "While companies have a tendency to enhance their figures, charities wear the most poverty-stricken clothes possible and tuck away income for fear that contributions will dry up."

Being too explicit about income could bring a lack of sympathy, since donors tend to contribute when they believe a charity is in financial difficulty. It might also give rival charities ideas on potential new donors.

Mr Scott says charities very often write off all expenditure immediately. They try to avoid passing money through income and expenditure. There is little indication of how much of their funding is tied or committed. They also provide scanty information on the value of their assets.

He would like to see improvements in the information provided in these areas. He also believes that SORP 2 allows too many alternative methods of treatment and needs to be made more rigidly applicable.

A paper submitted by a group of researchers to the Charity Commissioners argues that SORP 2 should be revised to reflect factors such as greater information on charities' sources of income; expenditure by areas of activity; and details of costs. It calls for clarification of which subsidiaries or related organisations should be consolidated, and much more on the valuation of assets.

But Scott - like many charity accountants - is also conscious of the dangers of drawing comparisons based on the accounts. Focusing on overheads and administration expenses can give rise to unfounded criticism, for example.

The charity accounts award highlights one such instance. One winner, Community Network, showed administration expenses as 90 per cent of income. There was little explanation of these expenses, which might appear very high. In fact, one of the Network's principal activities is telephone counselling, and the telephone bill accounts for most of these costs.

The figures will vary widely – and justifiably – between a wide range of different sorts of charities, from fundraisers to those carrying out their own activities, and from those reliant on volunteers to those staffed by highly-qualified professionals.

Mr Pesh Framjee, senior consultant in the charity unit at accountants BDO Binder Hamlyn, argues that accounts tend to focus on inputs and are far less valuable in assessing outcomes. He says there is a need to look at other, more qualitative criteria which could be included in the trustees' reports to accompany charity accounts.

He proffers a rather heretical view of his profession. "Accountants think accounts are the be-all and end-all. But charities have no bottom line or earnings figures. The numbers do not measure their effectiveness."

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COMMODITIES AND AGRICULTURE

Ukraine plugs expensive oil leak

Chrystia Freeland and Neil Buckley report on an alleged $20m scam

VLADIMIR HORIUNOV, until this week the top oil man in Ukraine, had achieved a lifestyle few of his countrymen can even imagine. When Mr Vitold Fokin became Ukrainian prime minister, he plucked his friend and associate Mr Horiunov from the Lysychansk refinery in the dismal rust belt of eastern Ukraine and appointed him president of Ukrnaftokhim, the state oil monopoly.

But Mr Horiunov was often absent from Ukrnaftokhim's Kiev headquarters, travelling frequently to the UK, Europe and North America.

This week those halcyon days ended as Mr Leonid Kuchma, the prime minister who replaced Mr Fokin less than a month ago, disbanded Ukrnaftokhim and fired its senior directors, alleging they were engaged in illegal resale of oil on a massive scale. The body has been replaced by a state committee on oil and gas.

Mr Kuchma – who has launched a major clean-up campaign since coming into office – alleges that 8m tonnes of oil have been re-exported from Ukraine this year alone. He says he has passed information on to the Ukrainian state prosecutor and will press for charges to be brought.

The case illustrates the dangers of corruption as the former-Soviet republics begin their transition to market economies, and follows widespread rumours and suspicions of oil industry corruption in several other republics.

The allegations that Ukrainian officials are profiting from the resale of oil come at a time when crucial services are being cut because of Ukraine's worsening oil crisis, created by Russia's gradual shift to world prices. Ukraine, which traditionally consumed 50m to 60m tonnes of crude oil a year has received less than 30m tonnes over the past ten months.

Ambulance services in the southern city of Mykolaiv have been severely affected, domestic flights from the capital city, Kiev, were grounded for several days last week and the price of a canister of fuel on the black market is close to the average monthly salary. Ukrainian oil refineries are working at less than half their normal capacity.

The Financial Times has obtained the details of some of the deals in which Mr Horiunov and his Ukrainian and foreign associates were involved.

Ukrainian oil industry officials allege that more than $20m worth of fuel was re-exported; the FT has evidence of re-exports worth several million dollars.

Contracts and internal correspondence show that one of the ways Mr Horiunov's refinery in Lysychansk re-exported petroleum products was through Triplet, a private business in Kiev that was set up specifically for this purpose.

With the help of various co-operative government agencies, Triplet obtained export licences for the fuel. Western purchasers were then directed to send payment for the fuel to a UK-based company called Eltrip, which includes Mr Sergei Tsyhankov, director of Triplet, on its board of directors. Mr Horiunov also became a director in October 1991.

One specific deal, in summer 1991, worked like this: 50,000 tonnes of heavy fuel oil refined at Lysychansk, the Ukraine's biggest oil refinery, were exported to an unknown Western purchaser through the Lithuanian port of Klaipeda. Triplet made the arrangements with the assistance of Istok, a Russian company that has been accused by the Moscow daily, Izvestia, of involvement in illegal oil re-export.

Triplet and the Lysychansk refinery then requested that payment for the fuel – which amounted to $1,898,844.47 after transport and other costs had been subtracted – be transferred to the British bank account of Eltrip. Mr Tsyhankov, director of both Triplet and Eltrip, admitted yesterday this deal had taken place but said full payment had not been made by Istok.

The FT has details of other contracts in 1991 relating to the export of 700,000 tonnes of diesel fuel, 300,000 tonnes of gasoline, and at least 980,000 tonnes of heavy fuel oil, and 300,000 tonnes of other fuel, but it is not clear whether all these deals took place.

Mr Kuchma told reporters earlier this week that while many of the deals had been licensed, licences had sometimes been obtained fraudulently. Moreover, the resale of oil products was illegal because it violated Ukrainian law and agreements with Russia, and the proceeds had ended up in private hands.

Repeated efforts by the FT to contact Mr Horiunov over the past four months have been unsuccessful.

Mr Tsyhankov, however, said the legality of the licenses was not the responsibility of Triplet, but of Ukrvneshtekhpromobmen, the body which issues licences.

He added that Eltrip had only been used to buy equipment for the Ukrainian oil industry, and claimed that Mr Fokin had given permission for some re-exports to take place this year to fund new equipment purchases for the Lysychansk refinery.

"In this bordello which we have, it is impossible to do everything according to the letter of the law," he observed. "We are just beginning to become businessmen. Sometimes it takes wild forms."

The process by which Triplet acquired its UK arm, Eltrip, illustrates the unusual ways in which business connections are sometimes forged with the former Soviet republics.

Triplet bought Eltrip with the help of a Leeds-based shopowner, Mr Keith Gornall. Mr Gornall had been befriended by a Soviet student who wandered into his city-centre hi-fi and electronics shop in the summer of 1990. Before leaving the UK, the student promised to put Mr Gornall in touch with business associates from the Ukraine.

A group of Ukrainians visited Leeds in December 1990 and bought a company "off the shelf", changing its name to Eltrip. Mr Sergei Tsyhankov became a director, along with Mr Gornall and several Ukrainians. Mr Gornall, who was unaware of the sources of Eltrip's funds, continued to work at the company for several months before he was replaced as director by Mr Vladimir Horiunov in October 1991.

Eltrip investigated the possibility of exporting everything from condoms to medical equipment to Ukraine. Early in 1991 it acquired a local company dealing in televisions, W. Tree Trade TVs, for more than £200,000, with the intention of exporting TVs and video recorders to Ukraine.

Mr William Tree, however, who still works part-time at the company, said only one shipment of televisions ever went to the Ukraine, and despite now being owned by Eltrip the company continued its UK trade as before. He added that Mr Horiunov had joined Eltrip as a "shadow" director in a consultancy role, when the company was attempting to acquire equipment from the US. He had since resigned as a director.

Go-ahead for heavy minerals project

By Philip Gawith in Johannesburg

ANGLO AMERICAN Corporation, South Africa's largest mining house, has announced that it is proceeding with the R1bn Namakwa Sands heavy minerals project in the North-Western Cape.

Speaking in Johannesburg yesterday, Mr Julian Ogilvie Thompson, chairman, said the project showed that "although South Africa is a small player in global terms, we are as competent, innovative and competitive as the rest".

Production is scheduled to start in 1994 at an initial mining rate of 4m tonnes a year, rising to full capacity of 16m tonnes as the market improves. Reserves are in excess of 500m tonnes. At full production the plant should generate revenue of R360m (£48m) a year, in 1992 money, almost all of which will come from exports.

The capital cost is R946m in current money. The R576m equity portion will be funded 80 per cent by Anglo and 20 per cent by its associate De Beers. The Industrial Development Corporation will be lending the balance of R370m.

The main product at Namakwa Sands will be ilmenite, which will be smelted to produce titanium slag and pig iron. The slag is ultimately used as a colourant in paper and paints, while pig iron is a speciality iron with ductile qualities. By-products will be zircon, used in the ceramics and foundry industries, and rutile, which is used in the manufacture of pigment for the paint, paper and plastics industries. At full production the project will produce annually 195,000 tonnes of slag, 120,000 tonnes of pig iron, 140,000 of zircon and 38,000 tonnes of rutile.

RTZ's investment boosts credibility of diamond site

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has already spent US$6m to join the hectic hunt for diamonds in the Lac de Gras area of Canada where the biggest land rush in North American history is taking place. If the UK group takes up all its land options it would cost $30m, said Mr Bob Wilson, chief executive, yesterday.

Diamonds were discovered in this area of the North West Territories in November last year by a small Canadian mining company, Dia Met Minerals, which now has the financial backing of Broken Hill Proprietary (BHP), Australia's biggest company. BHP's presence and that of RTZ, which says it is interested only in high-quality, low-cost mineral deposits, lends extra credibility to claims that Lac de Gras could become one of the world's major diamond mining areas.

However, Mr Wilson was cautious yesterday when talking to the Association of Mining Analysts in London. He suggested it was unlikely that RTZ would take up all its options. These entitle it to interests in about 4m acres – interests of 40 or 60 per cent, depending on the deal reached with the original claim holders.

Also, while six out of seven holes drilled on land in which RTZ was interested were bearing kimberlitic material, history showed that only 2 per cent of kimberlite pipes actually contained diamonds and only 30 per cent of those that contained diamonds had eventually proved worth mining.

● Base metals and gold prices were unlikely to go much lower but would remain "soggy" until well into 1993, suggested Mr Phillip Crowson, RTZ's chief economist. He said more aluminium, nickel, lead and zinc production cuts were needed before prices could rise substantially. However, the copper price would have to slip to 75 to 80 cents a lb before output cuts were necessary. Mr Crowson did not expect copper, which yesterday closed at a 98 cents a lb, to fall to this level.

He pointed out that output cuts were being delayed because many producers had sold forward when prices "spiked" and warned that "special factors" might drive up London Metal Exchange prices in spite of the fundamentally poor outlook – factors such as heavy Chinese buying, investment funds returning to the metal markets if the US economy showed a stronger-than-expected recovery, or simple price manipulation.

Wool output forecast to fall further in 1992-93

By David Blackwell

WORLD WOOL production, which fell by 10 per cent last season, is expected to decline further in 1992-93 to the level of the early 1980s as adverse weather conditions and low prices continue to take their toll, according to a report from the International Wool Textile Organisation.

Total world availability of wool (production plus carry-over stocks) is expected to fall to 2.26m tonnes from 2.45m tonnes in 1991-92 and a record 2.46m tonnes in 1990-91. This follows a decade in which availability rose by 43 per cent and marks the "most significant contraction in supplies since the early 1970s".

The report estimates production for the coming season at 1.67m tonnes, down from 1.74m tonnes in 1991-92 and 14 per cent down on the 1989-90 record of 1.97m tonnes. Carry-over stocks are forecast to decline to 592,000 tonnes from 719,000 tonnes in 1991-92.

"Leading exporters Australia, New Zealand and Argentina are expected to account for well over 60 per cent of the current season's contraction and the former Soviet Union for most of the balance," the report says.

Australia, the world's biggest producer, is expected to produce 549,000 tonnes, down 4 per cent on the previous year and 21 per cent on 1990-91. Sheep numbers were down 10 per cent to 151m in the year to the end of March. By September 25 this year the Australians had reduced their stockpile from the January 1991 peak of 553,398 tonnes to 472,306 tonnes.

Overall demand for wool is expected to continue to improve as a result of strong growth in China, Korea and Taiwan and the prospect of recovery in Western industrialised countries. This will bring supply and demand into much better balance, the report says.

Banks pull out of commodities

By David Blackwell

THE NUMBER of banks involved in financing international commodity transactions in London has fallen to just a dozen from about 30 over the past 2½ years, a London conference was told this week.

"This rapid fall-out of banks has caused some of the commodity trading companies in the industry considerable pain and has even meant ultimate demise on occasions," Mr Guy Saunders, senior manager, commodity and trade finance at ANZ Bank, told the conference, organised by Moores Rowland, the accountancy firm, in association with World Commodity Report.

The cut in the number of successful commodity traders companies and banks committed to the industry meant "the past few years have been extremely turbulent and unstable from a financial perspective." But he thought that the remaining banks would continue to support the industry.

Venezuela invites operators to tender for 'marginal' fields

By Joseph Mann in Caracas

THE VENEZUELAN government announced that it is seeking international tenders covering the operation of 73 so-called "marginal" oil fields with total proven reserves of 1.2bn barrels.

This is the second time the government of President Carlos Andres Perez has asked private companies to bid for the rights to produce crude oil. Until earlier this year, this sector had been closed to private investment ever since the Venezuelan petroleum industry was nationalised in 1976.

The minister of energy and mines, Mr Alirio Parra, said that the fields, grouped into 13 production units according to location, contain light and medium gravity crude. Once the marginal fields are fully operational they should be able to produce a total of about 380,000 barrels a day, or about 10 per cent of Venezuela's current crude oil production.

Mr Parra added that the new operating contracts would be more flexible than agreements signed earlier this year, and would allow contractors to explore for additional deposits of oil and gas within their assigned areas.

The fields, some of which are at present being operated by the national oil company, PDVSA, have not received any significant investments for about 15 years. They are considered marginal fields as they do not form part of PDVSA's mainstream plans for developing new oil production capacity.

The winning bidders will finance any production investments out of their own pockets and will be paid fees by PDVSA according to the volume of oil they produce. The operating companies will not own the oil they produce, and will be obliged to sell all oil and gas output to PDVSA. Mr Parra said he expected that companies interested in bidding on the fields would obtain all necessary technical data by March 31, 1993, and that tenders should be received by June 30 next year.

Earlier this year four investor groups made up of Venezuelan and international partners won contracts to operate a series of inactive and marginal oil fields. Two groups, Japan's Teikoku Oil Company and a consortium made up of Benton Oil (US) and Vinccler (Venezuela) agreed to invest a total of US$280m over the next decade to develop and operate specific oil fields.

However, the other two winners - Shell and Lingoteras de Venezuela (a Venezuelan group) – did not sign operating contracts. According to the ministry, Shell wanted any legal disputes to be settled in New York state, a position the Venezuelan government did not accept.

Rubber producers call for pact review

NATURAL RUBBER producers want consumers to review measures to stabilise prices, Mr Sucharit Promdej, secretary of the Association of Natural Rubber Producing Countries, said yesterday, reports Reuter from Singapore.

"The current agreement is working well to the advantage of consumers as prices have remained low," said Mr Sucharit, who was attending the International Natural Rubber Study Group's forum. He said rubber producers wanted to review the discretionary powers of the buffer stock manager.

Council members of the International Natural Rubber Organisation, a consumer-producer organisation, are scheduled to meet from November 23 to December 2 in Malaysia.

At its May meeting, the Inro council failed to end a stalemate on whether the current price-stabilising International Natural Rubber Agreement should be reviewed.

Producers want the pact, which expires at the end of 1993, replaced, saying it favours consumers. But consumers want the status quo maintained. "Inro's intervention has not made much impact," Mr Sucharit said.

WORLD COMMODITIES PRICES

MARKET REPORT

London's robusta **COFFEE** futures finished with gains of up to $15 as the market seemed to have resumed its upward trend after a recent downside technical correction. Dealers said a 50 per cent retracement had been completed in New York's March arabica contract, which earlier this week rose to a high of 74.10 cents a lb from 64.30 cents last week and then slipped back to a low on Wednesday of 69.20 cents. In the short term, however, the market looks unlikely to move sharply in either direction ahead of next week's ICO talks. London **COCOA** prices closed mostly higher. News that the Ivorian prime minister's office had estimated the 1992-93 cocoa crop at 780,000 tonnes was above trade expectations and seen as mildly bearish. **BASE METAL** prices closed mixed on the LME, concluding a generally lacklustre session of few features. Dealers said early price rises ran out of steam, with fundamental factors unable to provide a follow-through to technical advances.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$17.30-7.35u	+0.35
Brent Blend (dated)	$19.50-9.55	+.425
Brent Blend (Jan)	$19.40-9.45	+0.35
W.T.I (1 pm est)	$20.60-0.70u	+0.45
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$206-208	
Gas Oil	$182-183	+1
Heavy Fuel Oil	$91-92	+1
Naphtha	$187-189	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	[illegible]	-0.85
Silver (per troy oz)♣	376.0c	-1.5
Platinum (per troy oz)	$353.55	+0.65
Palladium (per troy oz)	$95.10	+0.35
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.07r	
Tin (New York)	283.0c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight†	112.28p	-0.05*
Sheep (live weight)†♣	73.22p	-0.85*
Pigs (live weight)†	68.98p	-0.06*
London daily sugar (raw)	$222.0w	-2.0
London daily sugar (white)	$256.4w	+0.4
Tate and Lyle export price	£253.5	-3.0
Barley (English feed)	£137.0z	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	62.75p	-0.50
Rubber (Jan)♥	62.75p	-0.50
Rubber (KL RSS No 1 Dec)	223.5m	
Coconut oil (Philippines)§	$492.5y	-12.5
Palm Oil (Malaysian)§	$407.5	-2.5
Copra (Philippines)§	[illegible]	
Soyabeans (US)	£169.0u	-1.0
Cotton "A" index	52.75c	-0.10
Wooltops (64s Super)	420p	+6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Dec. y-Jan/Feb u-Jan. w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	196.00	196.00	195.00
Mar	193.60	193.60	193.00
White	Close	Previous	High/Low
Mar	256.30	257.50	258.70 256.00
May	259.00	260.00	260.00 258.50
Aug	264.80		265.80 265.10
Oct	263.20	263.50	258.50

Turnover Raw 15 (25) lots of 50 tonnes. White 255 (623) Paris- White (FFr per tonne): Mar 1387.02 May 1411.39

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jan	19.41	19.04	19.47 19.[illegible]
Feb	19.37	19.07	19.44 18.98
Mar	19.31	19.00	19.35 18.93
Apr	19.25	18.95	19.30 19.07
Jul	19.20	18.84	19.20
IPE Index	19.17	19.26	

Turnover 22000 (19384)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Dec	178.50	177.[illegible]	179.75 178.25
Jan	181.00	180.25	181.75 178.25
Feb	182.50	181.25	182.75 179.50
Mar	180.75	178.75	180.75 177.50
Apr	176.75	174.75	177.00 173.50
May	174.00	171.75	174.00 172.25
Jun	172.00	170.75	172.75 172.00

Turnover 20019 (17759) lots of 100 tonnes

FRUIT AND VEGETABLES
Apples continue to dominate the fruit basket with British Columbia Red Delicious at 50-55p a lb (50-60p). Washington Red Delicious at 50-55p a lb (50-60p) and English Cox at 29-40p a lb (35-45p), reports FFVIB. Oranges continue to be a best buy at 12-25p each (12-25p). Cabbage varieties are plentiful with Primo and Celtic at 20-25p a lb (20-25p). Spring greens at 25-35p a lb (25-35p) and Savoy at 30-35p a lb (20-35p). Iceberg lettuce at 50-60p a head (60-80p). Round lettuce at 25-35p (30-35p) a head. and Spring onions at 40-45p a bunch (45-50p) are all good salad buys.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	725	720	727 720
Mar	748	744	752 744
May	763	760	765 759
Jul	778	775	780 775
Sep	790	790	794 791
Dec	813	812	816 808
Mar	832	832	838 830
May	847	846	850 846
Jul	862	861	867 866
Sep	876	878	876 871

Turnover: 7259 (9190) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 18 787.46 (790.11) 10 day average for Nov 19 782.03 (777.54)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	928	923	924 913
Jan	963	951	964 942
Mar	979	[illegible]	985 962
May	976	963	977 958
Jul	983	970	[illegible] 964
Sep	980	986	984
Nov	1005		1000

Turnover:2175 (2898) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 18: Comp. daily 58.88 (58.83) 15 day average 56.90 (56.66)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	62.0	62.9	62.0 61.5
May	68.0	68.0	67.0 67.0

Turnover 83 (101) lots of 20 tonnes.

SOYABEAN MEAL – London FOX			£/tonne
	Close	Previous	High/Low
Feb	147.50		147.50
Apr	148.50	150.00	148.50

Turnover 30 (80) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Nov	1265	1275	1287 1265
Dec	1280	1285	1290 1275
Jan	1295	1307	1310 1295
Apr	1300	1326	1320 1300
Oct	1335	1340	1335
BFI	1248	1224	

Turnover 403 (355)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	132.00	131.50	132.00
Jan	133.65	133.75	134.00 133.65
Mar	136.25	136.45	136.60 136.10
May	139.00	138.65	139.00 138.65
Barley	Close	Previous	High/Low
Nov	129.50		129.50
Jan	131.85	131.80	131.80 131.35
Mar	134.10	134.30	134.10 134.05

Turnover: Wheat 277 (529), Barley 47 (275). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Nov	115.0	115.0	114.5
Jan	103.5	103.5	103.0
Apr	105.0	105.0	105.0
May	105.5		105.3

Turnover:8 (21) lots of 3,250 kg

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 20,120 lots
Cash	1158.5-9.5	1168-9	1168	1158-6.5		
3 months	1182-3	1192-3	1195/1178.5	1179-80	1184-5	182,794 lots
Copper, Grade A (£ per tonne)					Total daily turnover 13,424 lots
Cash	1393.5-4.5	1408.5-7.5	1394/1383	1393-3.5		
3 months	1419-20	1434-5	1422/1409.5	1409.5-10.5	1420-1	152,734 lots
Lead (£ per tonne)					Total daily turnover 2,582 lots
Cash	300.5-1.5	306-7	299/298.75	298.75-9		
3 months	315.25-5.5	318-9	315/311	311-1.25	313.5-4	24,078 lots
Nickel ($ per tonne)					Total daily turnover 8,845 lots
Cash	5381-3	5375-80	5385	5385-6		
3 months	[illegible]	5490-5	5495/5430	5450-5	5440-50	37,083 lots
Tin ($ per tonne)					Total daily turnover 2,528 lots
Cash	5690-700	5670-80		5680-90		
3 months	5740-5	5725-30	5770/5730	5735-40	5730-5	10,402 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,964 lots
Cash	1038-9	1031-2	1034	1033-4		
3 months	[illegible]	1051-2	1062/1052	1053-4	1061.5-2	78,078 lots

LME Closing £/$ rate: SPOT: 1.5325 3 months: 1.5259 6 months: 1.5141 9 months: 1.5085

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	[illegible]	
Opening	335.40-335.80	
Morning fix	333.80	218.976
Afternoon fix	334.35	217.309
Day's high	335.70-336.00	
Day's low	333.40-333.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.58	6 months	1.99
2 months	1.73	12 months	2.43
3 months	1.73		

Silver fix	p/troy oz	US cts equiv
Spot	243.60	374.90
3 months	247.75	378.25
6 months	251.60	381.80
12 months	258.90	[illegible]

GOLD COINS	$ price	£ equivalent
Krugerrand	335.50-336.50	217.00-219.00
Maple leaf	344.00-346.25	–
New Sovereign	78.50-81.50	51.00-53.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1125	43	78	3	11
1175	10	43	19	38
1225	3	21	58	65
Copper (Grade A)	Calls		Puts	
2150	21	65	25	49
2200	5	42	60	75
2250	3	26	105	108
Coffee	Jan	Mar	Jan	Mar
900	71	89	8	20
950	36	66	23	39
1000	16	43	52	64
Cocoa	Mar	May	Mar	May
725	52	73	29	36
750	38	60	41	48
775	29	48	56	61
Brent Crude	Jan	Feb	Jan	Feb
1950	43	56	60	
2000	25	40		
2050	17	29		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	336.3	335.1	334.0	334.0
Dec	[illegible]	335.2	335.5	333.7
Jan	336.8	335.8	0	0
Feb	336.6	336.5	336.7	335.0
Apr	337.8	337.7	337.6	336.3
Jun	339.2	339.1	[illegible]	337.5
Aug	340.7	340.6	0	0
Oct	342.4	342.3	0	0
Dec	344.1	344.0	343.1	343.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	354.4	359.5	355.0	352.5
Apr	353.1	352.5	353.0	352.0
Jul	352.6	352.0	352.5	352.0
Oct	[illegible]	354.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	375.9	375.9	0	0
Dec	376.3	376.3	376.5	374.5
Jan	377.5	377.5	0	0
Mar	380.3	380.3	380.5	378.5
May	[illegible]	[illegible]	382.5	381.0
Jul	[illegible]	385.9	385.5	384.0
Sep	388.8	388.8	388.0	388.0
Dec	393.5	393.5	393.5	392.0
Jan	394.8	394.8	0	0
Mar	398.9	398.9	398.5	398.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	95.20	95.25	95.55	95.20
Dec	95.50	95.55	95.90	95.25
Jan	95.90	95.95	96.05	95.95
Feb	96.30	96.25	0	0
Mar	96.70	96.65	[illegible]	96.50
Apr	97.10	97.05	0	0
May	97.50	97.50	97.80	97.40
Jun	97.85	97.90	97.85	97.85
Jul	98.25	98.35	98.65	98.20
Aug	98.60	98.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	20.61	20.19	20.70	20.23
Jan	20.62	20.18	20.79	20.24
Feb	20.58	20.18	20.65	20.28
Mar	20.54	20.20	20.62	20.24
Apr	20.51	20.19	20.59	20.23
May	20.47	20.18	20.51	20.21
Jun	20.48	20.17	20.52	20.20
Jul	20.46	20.16	20.50	20.33
Aug	20.47	20.15	20.49	20.25
Sep	20.46	20.15	20.47	20.39

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	57.35	56.50	57.65	56.50
Jan	58.66	57.30	58.85	57.77
Feb	58.35	58.44	58.50	[illegible]
Mar	58.45	57.58	58.65	57.65
Apr	57.30	56.29	57.40	56.35
May	56.20	55.12	56.30	55.40
Jun	55.60	54.62	55.75	55.00
Jul	55.65	54.82	55.65	55.10
Aug	56.40	55.37	[illegible]	56.30
Sep	57.10	56.52	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	997	984	[illegible]	986
Mar	1036	1019	1041	1026
May	1061	1043	1066	1052
Jul	1088	1074	1088	1081
Sep	1108	1094	1110	1100
Dec	1148	1127	1146	1140
Mar	1177	1157	1179	1178
May	1198	1188	1197	1197
Jul	1228	1218	1228	1226
Sep	1251	1239	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	69.15	69.50	70.10	69.00
Mar	70.95	71.25	72.15	70.40
May	73.80	74.30	75.00	73.50
Jul	75.55	76.00	76.60	75.40
Sep	77.00	77.70	77.75	77.00
Dec	79.49	80.00	79.50	79.50
Mar	81.50	82.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.66	8.66	8.70	8.65
May	8.78	8.86	[illegible]	8.77
Jul	8.85	8.90	8.88	8.84
Oct	8.84	8.92	8.88	8.84
Mar	8.90	8.96	8.95	8.95

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	56.40	56.20	56.90	56.30
Mar	56.73	56.63	57.20	56.70
May	57.50	57.40	58.05	57.50
Jul	58.32	58.20	58.60	58.30
Oct	58.35	58.40	58.60	58.35
Dec	58.60	58.60	58.65	58.55
Mar	59.35	59.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	93.35	92.75	93.50	92.60
Mar	95.30	94.85	95.50	94.40
May	96.20	95.35	96.25	95.25
Jul	95.75	94.80	96.00	95.20
Sep	95.25	94.45	96.00	96.00
Nov	95.00	94.20	96.00	95.80
Jan	95.00	94.20	0	0
Mar	95.00	94.20	95.00	95.00

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov.19	Nov.18	mnth ago	yr ago
1656.5	1664.8	1637.4	1622.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.18	Nov.17	mnth ago	yr ago
Spot	117.97	118.23	-	114.90
Futures	117.94	118.04	-	122.75

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	564/2	563/4	566/6	561/4
Mar	570/0	569/2	571/6	567/4
May	576/0	574/6	577/0	573/2
Jul	581/6	581/2	583/2	579/2
Aug	584/4	583/6	585/4	582/0
Sep	584/0	[illegible]	585/0	581/4
Nov	589/0	589/6	591/4	586/6

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	20.60	20.24	20.62	20.10
Jan	20.71	20.36	20.72	20.22
Mar	20.91	20.58	20.93	20.44
May	21.08	20.73	21.08	20.60
Jul	21.17	20.85	21.18	20.74
Aug	21.17	20.86	21.25	20.83
Sep	21.18	20.90	21.25	20.90
Oct	21.22	20.92	21.30	20.90

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	182.2	182.8	183.8	182.0
Jan	181.9	182.5	183.3	181.7
Mar	181.9	183.1	183.4	181.5
May	182.8	183.8	184.4	182.3
Jul	184.7	185.8	186.4	184.3
Aug	185.4	186.7	187.3	185.1
Sep	186.3	187.7	188.5	186.1
Oct	188.0	189.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	217/2	215/2	218/0	215/4
Mar	225/0	224/0	226/2	224/0
May	232/2	231/6	233/6	231/2
Jul	237/2	236/6	238/6	236/4
Sep	241/2	240/2	242/2	240/0
Dec	245/6	245/0	246/6	244/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	370/4	369/4	371/6	367/4
Mar	368/6	366/0	369/4	365/6
May	350/6	348/0	351/0	347/4
Jul	328/0	326/0	328/6	323/4
Sep	331/0	330/4	332/2	330/2
Dec	343/0	341/2	343/0	340/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	75.025	75.075	75.225	74.925
Feb	72.675	72.825	72.900	72.650
Apr	72.925	73.125	73.200	72.900
Jun	69.725	69.875	70.000	69.700
Aug	68.550	68.600	68.900	68.550
Oct	68.900	69.000	69.100	68.850

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	44.850	44.875	45.050	44.400
Feb	44.475	44.350	44.750	[illegible]
Apr	42.275	42.175	42.525	42.000
Jun	48.475	48.150	[illegible]	48.025
Jul	45.850	45.600	45.975	45.600
Aug	44.475	44.350	44.525	44.350
Oct	41.225	41.050	41.250	40.900

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	[illegible]	43.625	43.775	43.125
Mar	43.325	43.600	[illegible]	43.200
May	44.400	44.500	44.600	44.200
Jul	45.275	45.350	45.275	44.850

LONDON STOCK EXCHANGE

Share prices cling on to recent gains

By Terry Byland,
UK Stock Market Editor

THE latest statistics on the domestic economy helped the UK stock market to hold on to the FT-SE 2,700 mark yesterday, although attempts to move further ahead were not successful. A substantially greater increase than expected in domestic lending by the banks and building societies *during October* raised some hopes that the economic recession might be lifting at last. But this was counter-balanced by the implications of the stagnant performance in UK gross domestic product in the third quarter, also disclosed yesterday.

Equities opened higher, benefiting from a firmer performance from other global markets overnight, but were soon restrained by softness in the US dollar which held back the blue chip internationals. The FT-SE Index was also held back by a fall in ICI on the reports that a leading UK securities house was about to issue a somewhat cool appraisal of the planned merger of the bioscience divisions.

However, the market found support again when the Footsie 2,700 area was challenged and share prices then crept higher, with the announcement of the UK money supply and bank lending data helpful. Also encouraging for the equity market was the premium over the Footsie maintained by the December stock index future contract.

The second half of the session was uneventful, although some comfort was drawn from favourable reports from the talks in Washington aimed at securing a settlement of the GATT problems. Cuts in base rates by the French banks were not regarded as immediately significant.

The final reading put the FT-SE Index at 2,706.2 for a net gain on the day of 2.2 points. Seaq volume increased to 659.2m shares from Wednesday's 551m, worth £1bn in retail business.

The turnover statistics bear out opinions among traders that the stock market is "fundamentally optimistic" and that the institutions are unwilling to let share prices fall very far while they await further news on interest rates and on the UK government's moves to stimulate the domestic economy.

The news on the industrial front remained negative, Blue Circle Industries, Royal Bank of Scotland and British Rail all disclosing plans to reduce staff. But the stock market takes the view that the depth of the recession has been taken aboard by share prices and that only signs of a recovery in the economy will have significantly fresh impact.

At Panmure Gordon, Mr Robin Aspinall commented that, in present circumstances, investors are more likely to be attracted by high yielding quality equities than by bank and similar deposits, on which returns have fallen steadily this year and are expected to fall further.

Trevor Laugharne at Kleinwort Benson Securities told clients that he could see only weak bullish and bearish factors operating in London at present, with "preponderance just falling on the bearish side"; the market is unlikely to move up in the near term unless it senses that another cut in base rates is imminent.

The strategy team at Nikko Securities is slightly more optimistic than some others in the marketplace in believing that the next 1 per cent base rate cut will come before Christmas.

Account Dealing Dates

*First Dealings:		
Nov 2	Nov 16	Nov 30
Option Declarations:		
Nov 12	Nov 26	Dec 10
Last Dealings:		
Nov 13	Nov 27	Dec 11
Account Day:		
Nov 23	Dec 7	Dec 21

*New time dealings may take place from 8.30am two business days earlier.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	5	468	
ASDA Group	11,000	47½	
Abbey National	3,700	358	+8
Albert Fisher	11,000	53	+5
Allied-Lyons	1,500	541	+7
Amstrad	85	29	
Anglian Water	1,600	488	+2
Argos	286	280	
Argyll Group	2,500	372	
Arjo Wiggins	1,000	159	+3
Ass. Brit. Foods	1,600	434	+7
Ass. Brit. Ports	349	318	+1
BAA	2,800	759	+17
BAT Inds.	2,300	885	+1
BET	3,800	111½	+1½
BICC	1,000	270	+3
BOC	354	728½	+7
BP	7,300	228½	
BPB Inds.	1,200	185	+3
BT	8,600	383	-3
BT New	6,500	288	-4½
BTR	2,100	480	-3
Bank of Scotland	2,300	131	-2
Barclays	2,600	362	-1
Bass	2,300	855	+16
Berisford Int.	215	15	
Blue Circle	5,400	177	+2
Booker	112	380	-1
Boots	3,300	476	-6
Bowater	1,300	434	+2
Brit. Aerospace	1,800	126	-4
British Airways	3,500	283	+2
British Gas	7,200	271½	[illegible]
British Land	944	192	+6
British Steel	7,300	50	+2½
Bunzl	914	107	
Burmah Castrol	2,600	647	-12
Burton	4,600	60½	-½
Cable & Wire.	7,300	652	+10
Cadbury Schweppes	2,600	455	+5
Calor Group	222	228	+1
Carlton Comms.	419	729	+8
Coats Viyella	6,200	214	-1
Comm. Union	2,400	577	+4
Cookson	3,800	132	+5
Courtaulds	1,700	468	+9
Dalgety	422	465	+1
De La Rue	685	887	+2
Dixons	2,600	198	-7
Eastern Elec.	888	423	+2
East Midland Elec.	1,100	425	+2
Eng China Clays	376	432	+2
Enterprise Oil	821	448	+2
Eurotunnel Units	69	348	+3
FKI	1,300	89	
Fisons	4,400	219	-3
Forte	3,400	175	+1
Gen. Accident	1,700	579	+12
General Elec.	3,900	239½	-3½
Glaxo	3,100	813	+1
Glynwed Int.	448	321	+4½
Granada	468	398	
Grand Met.	4,400	458	-1
GUS A	295	1083	-8
GRE	4,000	179	
GKN	2,800	404	+6
Guinness	1,700	557	+7
HSBC (75p shs)	7,500	517	-5½
Hammerson 'A'	16	248	+1
Hanson	10,000	232	-2
Hanson Warrants	147	18¾	-¾
Harrisons Crosfield	798	137	-2
Hillsdown	312	164	
IMI	2,300	295	+2
ICI	3,000	1013	-24
Inchcape	1,100	487	-5
Kingfisher	1,100	551	-4
Kwik Save	181	751	
Ladbroke	6,900	168	+5
Land Securities	2,700	485	+2
Laporte	271	603	
Legal & General	2,100	488	
Lloyds Abbey	555	271	-4
Lloyds Bank	587	488	-3
LASMO	2,600	162	-2
London Elec.	919	469	+6
Lonrho	736	70	
Lucas	3,100	120½	+7½
MB Caradon	81	[illegible]	
MEPC	2,400	[illegible]	-6
[illegible]	[illegible]	[illegible]	[illegible]
Rothmans	1,000	[illegible]	+7
Ryl Bk Scotland	1,800	[illegible]	[illegible]
Royal Insurance	1,400	[illegible]	[illegible]
Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	2,800	[illegible]	[illegible]
Scottish & New.	726	[illegible]	[illegible]
Scot. Hydro-Elec.	410	[illegible]	[illegible]
Scottish Power	2,800	[illegible]	[illegible]
Sears	2,600	[illegible]	[illegible]
Sedgwick	3,300	[illegible]	[illegible]
Seeboard	527	[illegible]	[illegible]
Severn Trent Water	1,300	[illegible]	[illegible]
Shell Transport	5,100	528	-3½
Siebe	1,500	360	+10
Slough Ests	490	145	+4
Smith (W.H.) A	1,700	482	-1
Smith & Nephew	5,100	162½	+3
SmKl Beecham	1,000	[illegible]	[illegible]
SmKl Beecham Uts	700	[illegible]	[illegible]
Smiths Inds.	865	[illegible]	[illegible]
Southern Elec.	[illegible]	[illegible]	+7
South Wales Elec.	[illegible]	[illegible]	+3
South West Water	2,300	511	+1
South West. Elec.	[illegible]	[illegible]	-1
[illegible]	[illegible]	[illegible]	[illegible]
Vodafone	2,400	387	+6
Warburg (SG)	[illegible]	[illegible]	[illegible]
Wellcome	[illegible]	[illegible]	[illegible]
Welsh Water	[illegible]	[illegible]	[illegible]
Wessex Water	421	[illegible]	[illegible]
Whitbread 'A'	1,600	[illegible]	[illegible]
Williams Hldgs	3,000	[illegible]	-1
Willis Corroon	1,500	[illegible]	[illegible]
Wimpey	1,700	[illegible]	-1
Wolseley	418	[illegible]	-1
Yorkshire Elec.	[illegible]	[illegible]	+7
Yorkshire Water	728	[illegible]	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Abbey National upgraded

THE latest upsurge in Abbey National shares was ascribed to an upgrading of profit forecasts by BZW, the UK investment bank. The recent advance in the stock price gathered momentum throughout yesterday and drove Abbey shares up to an all-time record of 360p before they eased off to end the session a net 8¼ higher at 358¼p. Turnover in the stock was 3.6m shares.

BZW lifted its current year profits forecast for Abbey from £560m to £610m and that for next year from £680m to £710m. Mr Philip Gibbs, the sector analyst, said the increase in the current year estimate was made because of the windfall gains to Abbey arising from the delay in implementing reductions in most interest rates.

The rise in next year's forecast was a reflection, Mr Gibbs said, of margins gains which derive from the widening the differential between lending and savings rates.

Since the flotation of Abbey National at 130p each in July 1989 the shares have risen over 175 per cent. During the same period the FTSE-100 has risen just over 20 per cent.

Power stocks busy

The power generators, National Power and PowerGen, continued to outperform other utility stocks, the former rising 3.3 per cent and the latter 2.9 per cent, following renewed aggressive buying by *US securities houses.*

Salomon Brothers, one of the leading US investment banks, was said by dealers to have been the main driving force behind buying interest which saw National Power attain a record 290p before closing a net 9¼ higher at 289p on turnover of 4.3m. PowerGen only just failed to break its all-time high of 293p, and settled 8 up at 287½p after 290p on turnover of 8.7m shares.

Mr Michael Sayers, utilities specialist at Salomon, acknowledged the buying interest: "We've been aggressive buyers for some time and think the shares are outstandingly cheap."

ICI pressured

Sellers moved in on ICI and the share price fell sharply on heavy turnover yesterday as a result of a number of negative factors. The shares were traded down as low as 1010p and closed a net 24 lower at 1013p with 3m dealt.

The market focused on Smith New Court research which takes a pessimistic view of the value of the company post demerger and suggests that the demerger will have to be deferred anyway.

There was also growing concern about Zeneca, ICI's choice of name for the new pharmaceutical group. One disillusioned analyst said the decision to offload the brand loyalty associated with the ICI name amounted to "commercial suicide". Finally there was a knock-on effect from third-quarter figures announced by German rival BASF, which came in below the worst expectations.

Mirror bought

Institutions decided that the administrators of Mirror Group were making a determined attempt to get the newspaper's finances straight and bought the stock heavily. They were responding to enthusiastic recommendations from Kleinwort Benson and James Capel.

Mr Guy Lamming of Capel attracted investors after pointing out the newspapers's cash generative abilities and its relative value. At Kleinwort, Mr Derek Terrington said: "Effectively, there is a new board of directors and that is a move that cannot be underestimated." The stock was 7 higher before profit-taking brought it *down to a net gain of 4 at 83p* on very large turnover of 8.3m.

Retailer Storehouse produced well-signalled figures and the shares edged up a penny to 186p. However, having disposed of the loss-making Richards and Habitat brands, analysts were generally upbeat about the second half. Nomura raised its full-year forecast £11¼m to £47¼m, while County NatWest added £5m to £40m. County's Ms Kimlan Cook said: "The figures confirm our positive stance. The more you see the more compelling the recovery story is."

The news that the Monopolies and Mergers Commission is investigating the perfume market hit Boots, the shares *falling 6 to 484p.*

Banana exporter Geest recovered from a savage downgrade by its broker Cazenove as the company attempted to play down the current delicate negotiations between the European Community and the Caribbean exporters. The shares added 5 to 254p, but could not prevent a number of other downgrades, including BZW which lopped £2m from this year's profit forecast to £28m.

Scottish presentations were said to have lifted Iceland Frozen Foods, up 6 at 568p. Albert Fisher was said to have been recommended by S.G. Warburg and the shares gained 5 to 53p in turnover of 11m.

Evode jumped 19 to 91p after diversified manufacturer Wassall made an 80p per share bid for the specialist seals and coatings group valuing it at £58.2m. Wassall held to a fall of only 15 to 183p despite the pressure of the bid and the dilutive effect of a three-for-five rights at 150p a share.

The bid encouraged marketmakers to look around for other old takeover candidates. Lucas ended 7½ up at 120½p and Norcros improved 8 to 128p. Leigh Interests was also the subject of speculative talk and rose 15 to 186p. Speculative buying pushed Yorkshire *Chemicals up 18 to 340p.*

Smith & Nephew rose 3½ to 162½p after Credit Lyonnais Laing reinforced its buy recommendation on the stock.

Cable & Wireless (C & W) delighted the market with interim profits up around 36 per cent at £378m and well ahead of the most optimistic expectations which were around the £360m-level. The interim dividend was also said to be at the top end of the market range. The shares raced up to 657p before settling a net 10 higher at 652p on heavy turnover of 7.8m.

The proposed sale of up to 1.35bn shares continued to cast a shadow over both classes of BT with the "old" 3 off at 383p *on turnover of 9m and the partly-paid* 4½ down at 288p on 6.5m. Vodafone, helped by switching from BT, rose 6 to 387p on 2.4m.

The discount houses extended their recent excellent performance with Union Discount, involved in takeover talks with an unnamed party, closing a further 25 up at 98p with the market looking for other potential bidders to move in. Cater Allen, regarded as a possible bidder for Union, rose 4 to 385p after 400p, following the increased interim dividend. King & Shaxson which recently announced a 60 per cent increase in its interim payment, moved up 5 to 90p.

A stock shortage and hints that one of the big US investment banks was about to release a strong buy recommendation on the stock boosted General Accident 12 to 579p. Commercial Union, one of the market's favoured composites, edged up 4 more to 577p. C.E. Heath, the insurance broker, closed 11 up at 308p with the market relieved that the dividend cut was not even bigger.

Specialist mechanical engineer Siebe performed well as Smith New Court upgraded its recommendation on the stock to buy from hold. The house argues that the relative rating has come back to a more attractive level. The shares improved 10 to 360p.

Fears that NorthWest Airlines, one of the biggest customers in the industry's order backlog, might be considering filing for bankruptcy unsettled British Aerospace by 4 at 126p.

British Steel rebounded 2½ to 50p on expectations of EC *assistance to counter over capacity.*

Speculation that Forte is actively hunting a new chief executive continued to help the shares, which put on 4 before fading to a penny better at 175p. First results from Euro Disney confirmed the dismal speculation and the shares tumbled 55 to 845p.

Thorn EMI's poor spell continued, the shares – which had fallen 58p in two weeks – dropped another 12 closing at 763p. However, an afternoon rally suggested that it may have reached the bottom of its trading range.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Peter John.

■ Other market statistics, Page 22

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (46).
AMERICANS (2) Abbott Labs., Amer. Express, BANKS (2) Abbey Natl., Standard Chard., BREWERS & DISTILLERS (1) Bulmer (HP), BUSINESS SERVICES (1) Pearce, CHEMICALS (3) Allied Colloids, Evode, Do 7p Pf., CONTRACTING & CONSTRUCTION (1) NSM, ELECTRICALS (1) Ericsson, ELECTRICITY (1) Scottish Power, ELECTRONICS (1) Hoskyns, ENGINEERING GENERAL (1) Vosper Thornycroft, FOOD RETAILING (2) Iceland Frozen, Morrison (Wm), HEALTH & HOUSEHOLD (1) Astra B, HOTELS & LEISURE (2) Granada 7½pc Pf., Rank Org. 8¼pc Pf., INSURANCE COMPOSITE (2) General Accident, Sun Alliance, INSURANCE LIFE (2) Britannic, Transatlantic, INVESTMENT TRUSTS (9) BZW Convertible, Fleming American, Genesis Malaysia Maju, Jupiter European, Malaysia Emrg. Co's, Mezzanine Cap., Murray Inc. B, Murray Ind. B, New Zealand, MEDIA (6) Central ITV, Metal Bulletin, News Corp., News Intl., Sterling Publsg., TVS Entmt. 7.4pc Pf '08, MISCELLANEOUS (1) BAT Inds., OTHER FINANCIAL (1) Cater Allen, OTHER INDUSTRIAL MATERIALS (1) Cookson, PACKAGING, PAPER & PRINTING (1) Portals, PROPERTY (2) Helical Bar 5¼pc Pf. '12, Slough 8pc Cv. '03, STORES (2) Fine Art Dev., Storehouse, WATER (1) Mid Kent, MINES (1) Malaysia.
NEW LOWS (33).
AMERICANS (1) IBM, CANADIANS (1) Brascan, BUSINESS SERVICES (1) REA, CONTRACTING & CONSTRUCTION (1) Prowting, ELECTRONICS (2) Kewill Systems, Lynx, Molynx, ENGINEERING GENERAL (2) Sullough, Prospect, FOOD MANUFACTURING (1) Sheldon Jones, HEALTH & HOUSEHOLD (1) Swallowfield, INSURANCE LIFE (1) Irish Life, INVESTMENT TRUSTS (2) Berry Starquest, London & Strathclyde, MEDIA (2) Metro Radio, Trans World Comms., MISCELLANEOUS (1) Hornby, OIL & GAS (2) Aberdeen, Crossroads, OTHER INDUSTRIAL MATERIALS (1) Baynes (C), PACKAGING, PAPER & PRINTING (1) Blagden, PROPERTY (1) Five Oaks, STORES (2) Centors, Dunhill, MINES (8) Anglo Am Gold, Driefontein, Durban Deep, Gencor, Gold Fields S.A., Hartebeest, Impala Platinum, Rustenburg Platinum, Stilfontein.

FINANCIAL TIMES EQUITY INDICES

	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Year ago	High	Low
Ordinary share	2017.5	2012.2	1996.4	2004.6	2021.6	1996.8	2149.7	1670.0
Ord. div. yield	4.56	4.58	4.62	4.61	4.57	5.33	5.34	4.24
Earning yld % full	6.40	6.46	6.52	6.45	6.43	7.48	-	-
P/E ratio net	18.91	19.72	19.53	19.79	19.83	16.82	20.84	15.79
P/E ratio nil	18.38	18.22	18.05	18.27	18.32	15.84	-	-
Gold Mines	94.1	95.0	95.9	98.9	97.1	160.0	169.6	84.1

*For 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2020.2	2017.5	2017.7	2012.9	2018.9	2017.9	2020.4	2018.8	2019.4	2022.7	2011.5

Volume	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Year ago
SEAQ Bargains	25,807	23,566	23,443	25,017	34,694	30,035
Equity Turnover(£m)†	-	1047.8	818.7	777.4	1198.8	1621.64
Equity Bargains†	-	25,965	25,078	27,098	30,613	29,490
Shares traded (ml)†	-	451.0	400.4	368.5	546.0	682.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

ANTICIPATION of an impending cut in German interest rates provided the main point of interest in an otherwise featureless and quiet day's trading in the derivatives market, writes Christopher Price.

The December FT-SE contract opened at 2,729 and proceeded to move forward, although buyer interest was limited causing it to drift back. December reached its low point of the day of 2,714 around 11am.

However, talk of an imminent German rate cut, which many in the market believe may happen in the next month, sent December forward. It was also helped by firmer short-sterling and gilts, before settling to trade in a range of 2,720-30 into the early afternoon.

An indifferent Wall Street, a weaker pound against the D-Mark and a lack of buyers combined to prompt December to drift slightly in later trading. It closed at 2,726, down 4 on the previous close and at a 10-point premium to its estimated fair value of nine. Wall Street volume was a tawdry 6,068 contracts.

In a busier traded options market, British Steel provided the main focus among the stocks, recording 2,933 contracts.

This included a seller of 1,000 contracts of the January 60 calls. Rolls-Royce clocked up 1,606, followed by Marks and Spencer at 1,023 and HSBC on 983 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2706.2 +2.2	2616.9 +6.0	1284.33 +1.49

	Nov 19	Nov 18	Nov 17	Nov 16	Nov 13	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2706.2	2704.0	2679.2	2679.6	2697.5	2446.3	2737.8	2281.0	[illegible]	986.9
FT-SE Mid 250	2616.9	2610.9	2598.0	2585.7	2608.9	2420.9	2825.0	2157.8	2825.0	1379.4
FT-SE-A 350	1309.6	1308.1	1297.3	1297.2	1305.4	1190.0	1342.7	1103.1	1342.7	664.5

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2710.5	2707.0	2709.2	2703.7	2710.7	2708.5	2712.2	2710.1	2707.5	2712.8	2701.8
FT-SE Mid 250	2615.9	2615.5	2615.6	2615.9	2618.8	2617.3	2616.8	2616.4	2616.8	2618.7	2614.5
FT-SE-A 350	1311.2	1309.7	1310.6	1308.5	1311.5	1310.5	1311.9	1311.0	1310.1	1312.1	1307.8

Gross dividend yield (ACT at 25%) FT-SE 100 4.45

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Nov 18 Index No.	Tue Nov 17 Index No.	Mon Nov 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	773.91	[illegible]	7.30	5.54	17.87	29.69	774.33	771.48	774.06	765.94
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Engineering-Aerospace (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Engineering-General (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (192)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging, Paper & Printing (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (652)	1284.33	+0.1	-	4.57	-	40.06	1282.84	1272.58	1272.42	1190.69

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health/Hh	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or-	1992 High	1992 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+or-	1992 High	1992 Low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

	Notes	Price £	+or-	1992 High	1992 Low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hydro Quebec 15pc 2011	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.19
Leeds 13½pc 2006	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
Liverpool 3½pc Irred	[illegible]	[illegible]	[illegible]	[illegible]	30	[illegible]	-
LCC 3pc '20 Aft	[illegible]	[illegible]	[illegible]	[illegible]	27	[illegible]	-
Manchester 11½pc 2007	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Met. Wtr. 3pc 'B'	[illegible]	[illegible]	[illegible]	[illegible]	53	[illegible]	[illegible]
N'wide Anglia 3⅞pc 2021	[illegible]	[illegible]	[illegible]	121	[illegible]	-	4.92
4⅛pc IL 2024	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.77
Utd Mex States 16½pc 2008	[illegible]	[illegible]	[illegible]	[illegible]	121½	12.84	12.12

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	28⅝xd	+⅛	29⅞	14⅝	17,186	1.9
♥Allegheny & W		436p	—	454p	226p	226.1	4.3
Amdahl		537p	+20	1159p	455p	693.1	1.2
Amer Cyanamid		35½	+⅛	37⅝	28⅝	3,209	2.9
Amer Express		14⅝xd	+1/16	14⅝	10 7/16	6,972	4.3
Amer T & T		30½xd	+⅛	30¾	20⅛	40,981	2.7
Ameritech		42⅞	+⅛	43½	32½	15,603	5.2
BankAmerica		27 13/16xd	+1/16	28½	19 1/16	9,563	3.0
Bankers NY		42 13/16xd	-1/16	[illegible]	26⅞	3,446	4.1
Bell Atlantic		30¼	+¼	31⅛	23⅛	13,069	5.4
BellSouth		31½	-⅛	34⅛	25	15,399	5.5
♥Bethlehem Steel		8⅝xd	-1/16	9⅝	5¾	780.2	
Bowater		1439pxd	+3	1579p	905p	529.2	5.3
CPC	h	32 1/16xd	-1/16	33	22⅞	4,694	2.3
♥Cadiz Land Inc		129p	—	342p	106p	—	—
California Engy		980p	—	999p	581p	169.8	—
Chase Manhattan		16⅞xd	-1/16	17⅛	9⅛	2,519	4.5
Chrysler		18⅛xd	—	18½	6¼	6,368	2.1
Citicorp		11⅞xd	+⅛	12⅞	[illegible]	4,318	—
Colgate-Palm		38¼xd	-½	38⅛	[illegible]	6,097	2.0
Cont'l Bank		1232p	-3	1256p	495p	1,286	3.0
Dana		27 13/16xd	-1/16	28 1/16	14⅞	1,289	3.6
Data General		748p	+34	1084p	384p	294.2	—
♥Decora Inds		140p	—	140p	56p	—	—
Dun & Brad		36⅛	-⅛	38⅞	27⅝	6,557	3.9
Eaton		48	-¼	48¼	32½	1,599	3.0
Echlin		13⅞xd	—	13½	7⅞	769.2	3.3
FPL		23⅝xd	+⅛	23¾	17 13/16	4,297	6.5
Fluor		28½xd	—	[illegible]	19¼	2,311	0.9
Ford Motor		25 1/16xd	-1/16	28¼	15	12,348	2.5
Gen Elect		51 7/16xd	+1/16	51¼	36¾	43,943	2.9
♥General Host		583p	—	600p	360p	—	3.9
Gillette		30⅛xd	-1⅛	40	23 13/16	6,368	1.2
Hasbro		21¾	-⅛	22½	12⅞	1,866	0.6
Honeywell		42⅞	-⅛	43	32	2,933	2.6

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا اصل الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Harmony Gold CS	54½	—	[illegible]	[illegible]	489.7	2.4
Ivernia West IE	30	—	60	32	19.6	—
Kells Mins IE	19	—	42	12	0.91	—
Konasare	3½	—	6½	2¼	3.29	—
Malanga Res	10½	−½	40	8	1.71	—
Navan Res IE	31½	—	52	16	4.22	—
Oryx Gold	46	—	103	47½	—	—
Pasmin	26	—	13	3	1.37	—
RTZ	584	−10	628	469	6,967	4.4
Vizcaya	1½	—	3	1	0.67	—
Western & Pac CS	21½	—	40	7	11.6	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. ... yield, p/e based on latest annual earnings. ‡‡ Yield based on prospectus or other ... xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2585. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey Unit Tst Mngrs (1000)H

Britannia Life Unit Managers Ltd (1200)F

190 West George St, Glasgow G2 2PA 041-332 3132

Brown Shipley & Co Ltd (1000)F

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	114.60	114.90	120.00	-0.40	6.18
Smaller Cos	5	50.50	52.74	56.01	-0.15	2.56
UK General	5	110.20	111.80	117.70	+0.90	2.79
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	357.46	357.46	379.12	+2.60	5.44
Global Inc	5	50.60	50.60	53.64	+0.18	4.23
Brit Leaders	5	302.25	302.25	320.50	+0.71	3.19
Intl Leaders	5	162.70	162.70	172.46	+0.20	1.90
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 9003						
European Trust	6	46.00	46.13	49.07	-0.23	1.67
Far Eastern Tst	6	51.56	52.06	55.38	-0.40	0.88
Smaller Cos	5	110.9	115.3	122.6	-0.1	3.04
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American	5	261.0	261.6	276.7	-0.7	0.94
S & W Capital	5	105.7	105.7	113.2	-0.1	1.91
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Gilt Income	4	51.41	51.41	53.49	+0.35	8.68
Gilt Growth	4	63.28	63.28	65.89	+0.28	0.00
City Reserve	0	55.12	55.12	55.13	+0.01	7.28
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0795 388046						

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

155 Bishopsgate, London EC2M 3XY

	Bid Price	Offer Price	+ or -	Yield Gr's
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9XS				
Life Series 2				
Aggressive Ptflio Fund	118.4	125.3	+0.7	-
Balanced Ptflio Fund	337.4	357.1	+2.2	-
Cautious Ptflio Fund	137.8	145.9	+0.4	-
Elite Fund	121.9	129.1	+1.5	-
European Fund	94.7	100.3	+0.4	-
Far East Fund	89.3	94.5	-1.2	-
Fixed Interest Fund	288.6	305.5	+1.2	-
International Fund	235.0	248.7	-1.6	-
N. American Fund	186.8	197.7	+0.3	-
Property Fund	384.9	407.4	-	-
UK Equity Fund	423.1	447.8	+3.6	-
Sterling Global Fund	146.5	155.1	-0.3	-
With Profits Fd	125.6	133.0	-	-
Pension Series 2				
Aggressive Ptflio Fd	104.4	110.5	+0.7	-
Century Life Assurance Company Ltd				

INSURANCES

AXA Equity & Law Life Assce

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Continued on next page

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd.	612.1	651.2	-0.9	-
Adventurous Mngd.	147.0	156.4	-0.7	-
Cautious Mngd.	118.6	126.2	-0.2	-
Cash Fd.	313.5	330.4	.....	-
Property Fund.	217.5	231.4	.....	-
Equity Fund	701.8	746.6	-4.4	-
Fxd. Int. Fund	390.4	411.4	-0.4	-
International	315.3	335.5	-3.1	-
High Income	527.7	561.4	+1.8	-
Far East	414.2	440.7	-6.5	-
North American	410.2	436.4	-1.0	-
Special Sits.	488.1	519.3	+1.6	-
Technology	407.6	433.7	+0.3	-
Extra Inc Fd	289.4	307.9	+1.4	-
Convertible & Gilt Fd	141.2	150.3	+0.4	-
[illegible]	166.0	176.6	-0.2	-
Gilt Fund 20	436.2	464.1	+0.4	-
European Fund	113.3	120.6	-0.8	-
Pref & Fixed Int.	106.6	113.5	-0.4	-
UK Blue Chip	107.7	113.5	.....	-
Recovery Fund	101.7	107.2	+0.5	-
Equity Income Dist.	98.5	104.8	+0.2	4.61
Managed Dist.	94.2	100.3	-0.1	5.12
High Yield Dist.	100.8	106.3	-0.2	7.71
Pension Funds				
Balncd Gth Mgd Pens Acc.	707.4	744.7	+1.0	-
Adventurous Mgd Pens Acc.	152.8	160.9	-0.8	-
Cautious Mngd Pens Acc.	136.4	143.6	+0.5	-
Building Soc. Acc.	360.6	379.6	...	-
Property Pens. Acc.	295.3	310.9	...	-
Fix. Int. Pens. Acc.	617.1	649.6	[illegible]	-
Equity Pens. Acc.	893.4	940.5	[illegible]	-
International Pens Acc	290.0	305.3	-2.5	-
High Inc Pens Acc.	592.7	623.9	+2.6	-
Tech Pens Acc.	287.4	302.6	+1.0	-
N American Pens Acc.	307.8	324.1	...	-
Far Eastern Pens Acc.	407.3	428.8	-7.3	-
Special Sits Pens Acc.	399.8	420.9	+1.3	-
Extra Income Pens Fd.	349.7	368.2	+1.7	-
Convertible & Gilt Pen.	172.8	181.9	-1.1	-
American Inc Pens	189.1	199.1	[illegible]	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	166.6	175.4	[illegible]	-
Equity Acc Fd	379.1	399.0	+2.7	-
Managed Acc Fd.	336.7	354.5	...	-
Prop Fd (1st Issue)	—	594.5	—	-
Prop Acc Fd (2nd Iss)	122.1	128.5	—	-
Unit Trust Mn. Fd.	154.1	162.3	—	-
Rl. Pension Funds				
Deposit Acc.	241.3	254.0	+0.1	-
Equity Acc	277.5	292.1	+2.7	-
Fixed Int Acc.	245.2	258.1	-	-
Gilt Indx Lnk Acc.	185.9	195.7	-	-
Managed Acc.	368.3	387.7	-	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed.	107.6	113.3	...	-
JRA/Scottish Amicable Mngd.	103.0	108.5	+0.40	-
JRA/St James's Place Mngd.	110.8	116.7	+0.50	-
Deposit.	99.10	104.4	.	-
Far East.	113.3	119.3	-1.10	-
Gilts.	104.3	109.8	+0.10	-
Greater European	107.1	[illegible]	-0.10	-
North American.	121.8	128.3	-0.10	-
UK Equity.	106.5	112.2	+0.50	-
Pension Funds				
JRA/M&G Managed cap.	105.2	110.8	-0.10	-
JRA/M&G Managed acc.	108.3	114.0	-0.10	-
JRA/Scottish Amicable Mngd cap.	99.90	105.2	+0.50	-
JRA/Scottish Amicable Mngd acc.	102.8	108.3	+0.50	-
JRA/St James's Pl Mngd cap.	112.7	118.7	-0.80	-
JRA/St James's Pl Mngd acc.	[illegible]	122.1	-0.90	-
Deposit cap.	99.30	104.6	+0.10	-
Deposit acc.	102.2	107.6	+0.10	-
Far East cap.	110.2	116.1	-1.20	-
Far East acc.	113.4	119.4	[illegible]	-

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Sun Alliance Group – Contd.

Albany International Assurance Ltd

Target International Group

Guinness Flight Fd Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sweden devalues the krona

THERE was strong speculation yesterday that another realignment of the European exchange rate mechanism is imminent after Sweden's central bank decided to float the krona against the European currency unit (Ecu), *writes James Blitz.*

The Swedish authorities abandoned their policy of fixing the krona's exchange rate against the Ecu after an earlier decision to raise interest rates to 20 per cent failed to staunch a heavy flight of foreign capital out of Stockholm.

By 1700 GMT, the float had effectively devalued the currency by 9.4 per cent against the D-Mark to a level of SKr4.1200.

The effects of the devaluation were felt across the world's currency markets, forcing the D-Mark up against the dollar, the French franc and the lira as investors sold kronor for the German currency.

The dollar closed nearly 2 pfennigs down against the German currency at DM1.5790. The Italian lira, which had appreciated sharply as investors grow increasingly confident about the Italian government's emergency package, fell to a close of L859.1 against the D-Mark from a previous L855.1. Later, in US trading, it had slumped to L863.

Perhaps the most striking fall was the French franc's. Dealers have come to see it as one of the strongest currencies in Europe in recent weeks. That impression has still not been severely dented, but the franc closed at FFr3.3800 against the D-Mark, down 0.7 centimes on the day.

The overall effects of the devaluation remained small in comparison to the floating of the Finnish markka in the autumn, at a time when markets were moving towards the currency crisis crescendo.

However, some dealers suggested that yesterday's move might have a domino effect, increasing volatility in exchange rates in the next few days.

Mr Avinash Persaud, an economist at UBS Phillips & Drew in London, believes that European financial authorities could now be forced into an imminent realignment of the ERM, in which the Spanish peseta, the Portuguese escudo and the Irish punt are devalued.

Dealers believe these currencies are still overvalued against the D-Mark, and that they will need to be devalued by between 5 and 10 per cent to trigger a badly-needed spurt of economic growth.

"European financial authorities will now start to believe that the system needs a catharsis – a cleaning – from which it will become far more stable," said Mr Persaud. "The Swedish devaluation was not an isolated event. Sweden is the first of the devaluation candidates not to be defended by capital controls."

Sterling, which is extremely unlikely to return to the ERM in the near term, fell one pfennig to a close of DM2.4200. Sterling closed up more than one cent against the US currency at $1.5325.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4476	-3.59	5.09	50
Dutch Guilder	2.29193	2.21469	-3.37	4.85	40
D-Mark	2.03412	1.96940	-3.18	4.65	40
French Franc	6.82216	6.64519	-2.59	4.01	2
Danish Krone	7.75901	7.58401	-2.26	3.65	-13
Irish Punt	0.759300	0.743575	-2.07	3.46	-22
Portuguese Escudo	176.844	174.540	-1.30	2.65	1
Spanish Peseta	139.176	141.007	1.32	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5290 - 1.5395	1.5320 - 1.5330	0.52-0.50cpm	3.99	1.22-1.19pm	3.15
Canada	1.9450 - 1.9600	1.9535 - 1.9545	0.11-0.21cdis	-0.98	0.18-0.29dis	-0.48
Netherlands	2.7125 - 2.7475	2.7150 - 2.7250	½-¾cdis	-1.93	1½-1¾dis	-1.93
Belgium	49.60 - 50.10	49.70 - 49.80	3-9cdis	-1.69	19-26dis	-1.81
Denmark	9.3150 - 9.3975	9.3475 - 9.3575	2½-3¼oredis	-3.53	6¼-8dis	-3.15
Ireland	0.9120 - 0.9215	0.9120 - 0.9130	0.74-0.66cpm	9.21	2.10-1.40pm	7.67
Germany	2.4125 - 2.4350	2.4175 - 2.4225	½-½pfdis	-2.17	1½-1¼dis	-1.96
Portugal	214.00 - 215.75	214.25 - 215.25	140-170cdis	-8.66	420-490dis	-8.47
Spain	172.90 - 174.50	172.95 - 173.25	108-127cdis	-8.15	318-368dis	-7.93
Italy	2066.75 - 2086.00	2078.25 - 2079.25	10-12lirediis	-6.35	34-38dis	-6.93
Norway	9.8625 - 9.9525	9.8675 - 9.8775	2½-3oredis	-3.27	7¼-8½dis	-3.17
France	8.1600 - 8.2450	8.1750 - 8.1850	1½-1¾cdis	-2.48	5-5½dis	-2.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	2.68	3.57	-	-	0.21	-
109	1.68	2.75	-	0.02	0.36	-
110	0.75	2.01	-	0.06	0.58	-
111	0.13	1.36	-	0.44	0.92	-
112	0.03	0.86	1.54	-	-	-
Open int	226,418	161,835	18,312	234,188	116,030	10,380

Estimated volume 33,981 † Total Open Interest 767,363
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk	7
Allied Trust Bank	8	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	8
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd.	10
Bank of Ireland	7	● Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	● Smith & Williamson Secs.	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk.	7	Unibank plc	7
Brit Bk of Mid East	7	● Hill Samuel	7	● United Bk of Kuwait	8
● Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	8	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Euromark futures rise

SHORT-DATED Euromark futures rose sharply yesterday after the Swedish central bank decided to float the krona against the European currency unit (Ecu.)

This focused the attention of dealers on the continuing tension in currency markets and the possibility that the Bundesbank might introduce a cut in official interest rates as part of as broad currency realignment, *writes James Blitz.*

Sterling money markets remained calm, although short-dated futures fell back several basis points after the latest money supply figures reflected a sharp rise in bank lending in October, consolidating the view that the UK authorities might not choose to ease monetary policy again this year.

On Tuesday afternoon, short-dated Euromark futures rose sharply after cuts in Belgian and Dutch interest rates raised speculation that the Bundesbank might have more of an opportunity to ease monetary policy without weakening the D-Mark.

Sweden's decision to allow the embattled krona to devalue against other currencies consolidated that trend. As soon as Sweden announced the float, the crown plunged by about 8 per cent against the Ecu.

This caused tensions in European currency markets, and prompted dealers to think that the Bundesbank might be forced to cut its Discount rate sooner than it would like. The December short sterling contract rose 3 basis points to a close of 91.35, while the March contract rose 7 basis points to a close of 92.36.

French franc futures also rose, but the impact there was stunted by the sharp weakening of the French franc against a generally stronger D-Mark. The December contract rose 5 basis points to a high of 90.82, but later fell back to a close of 90.70.

Short sterling futures fell back after total seasonally adjusted sterling lending to Britain's private sector rose by £5.1bn in October compared with a fall of £1.1bn the previous month. This consolidated a growing feeling in the market that there will be no more easing in interest rates this year.

The December short sterling contract fell 4 basis points to a low of 93.09 and later closed at 93.10. The March contract fell 5 basis points to a low of 93.74 and later closed at 93.76.

Conditions in the cash market were easier after the Bank of England's shortage of £850m was fully removed. Three month money closed unchanged at 7⅞ per cent on the offered side, while the 1 month closed down ¼ per cent at 7½ per cent.

FT LONDON INTERBANK FIXING

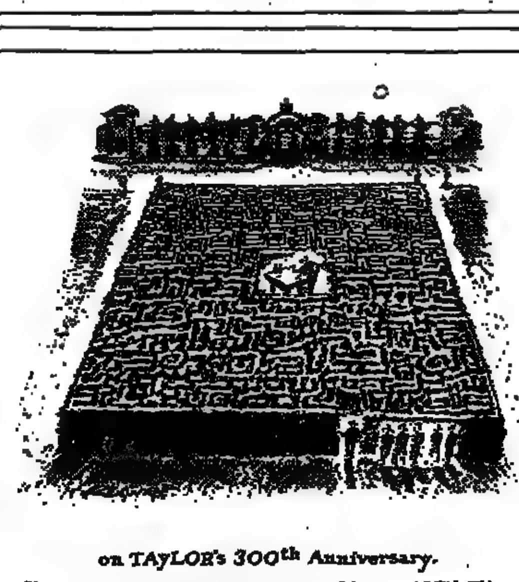
[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]



MONEY MARKET FUNDS

Money Market Trust Funds

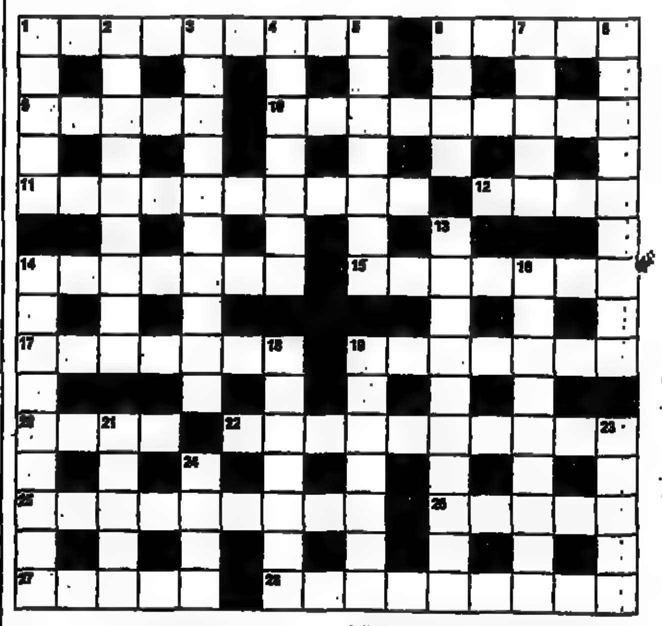
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,008 Set by VIXEN



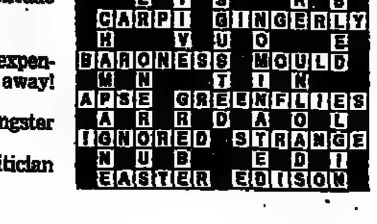
ACROSS

1 Goes along with money and dices – deplorable! (9)
6 A short chapter if about English leader (5)
9 Hate the sound of the old music-hall? (5)
10 Not the sort of bread for making sandwiches! (9)
11 He hopes to come up with something of value (5-5)
12 Unfortunately almost all like getting behind (4)
14 Paling as a result of abuse (7)
15 "The poplars stand and — by pools I used to know" (Housman) (7)
17 The lady will see reporters around mid-week (7)
19 Got even the archdeacon to go among the elderly (7)
20 Taking some tea cheers every one (4)
22 A person with much experience in the teaching of history? (4,6)
25 They question cut-back by the workers down-under (9)
26 A little place that's not owner-occupied (5)
27 State provision in a sense (5)
28 Back the head's strict attitude (9)

DOWN

1 Credit – none more expensive – takes the breath away! (5)
2 Following a single youngster about at four (9)
3 Grieved to find firm politician involved in deal (10)
4 Holding staff responsible for making good use of liquid assets (7)
5 Skinhead ripping up towels, being most stupid (7)
6 Many concerned with direction appeared exultant (4)
7 Thought Latin best (5)
8 Possibly pulls in to have a meal quickly (4-5)
13 A put-down say in a story (10)
14 Right now framing oriental picture (9)
16 The musicians' game? (9)
18 Swell accommodation! (3-4)
19 The performer in a demanding part is tearful on occasion (7)
21 Kind about a young woman (5)
23 Ceremonial forms rearranged in tiers (5)
24 Pests making the sovereign turn cold (4)

Solution to Puzzle No.8,007



WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

3 pm November 19

Quotations in cents unless marked $

MONTREAL

2:45 pm November 19

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, November 19, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
SS Pharm	9.8m	1,210	+120	NPN Steel Corp	2.7m	285	-5
Nippon Jutaku	9.0m	280	+10	Sumitomo Bank	2.6m	1,710	
Mitsui Mi & Sml	8.7m	472	-9	Mitsubishi Heavy	2.4m	616	-3
Green Cross	4.4m	1,380	-60	Nomura Sec	2.4m	1,410	+20
Toshiba Corp	3.1m	612	-5	Mitsubishi Kasei	2.3m	1,030	-20

3 pm November 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11	AAR Corp	0.48	4.1	19	46	11¾	11½	11¾	+⅛
25½	18	A L Labs A	0.18	0.9	13	13514	21¼	20	21	+¼
68¾	52⅝	AMP Inc	1.52	2.7	20	3037	56½	56	56	-⅛
80¼	54⅛	AMR				122780	62¼	61⅛	61⅞	-⅛
2⅛	1⅛	ARX			11	6	1⅛	1⅛	1⅛	-⅛
53½	30⅜	ASA x	2.00	6.4	20	143	31⅝	31	31¼	-¼
34¼	26⅛	Abbott Lab	0.60	1.9	21	4705	31¼	30⅞	31	-⅛
13⅞	10½	Abitibi Pr	0.40	3.8	5	30	10⅝	d10½	10½	-⅛
11⅝	10⅛	ACM Gvt In x	1.01	9.2		149	11	10⅞	11	+⅛
10⅜	9⅛	ACM GvOpp x	0.87	9.3		162	9⅜	9¼	9⅜	+⅛
9⅛	8½	ACM Gvt Sp	0.79	8.9		290	9	8⅞	8⅞	-⅛
11⅛	10⅛	ACM Gvt Se	0.96	8.9		410	10¾	10⅝	10¾	
10⅝	9⅞	ACM Man x	1.00	10.0		354	10⅛	9⅞	10	
12⅞	9	ACM Mangd x	1.09	11.6		281	9½	9¼	9⅜	
11¼	4⅛	Acme Cleve	0.40	5.1	14	90	7⅞	7⅝	7⅞	+⅛
6¼	3¼	Acme Elect			82	36	4⅛	4⅛	4⅛	+⅛
33¼	14⅞	Acuson			12	436	17	16⅝	16¾	+⅛
21	18¼	Adams Exp	1.62	8.4	0	110	19⅝	19⅜	19⅜	-¼
49⅛	28½	Ad Micro	3.00	6.8		618	44½	43	44⅛	+1½
21½	7½	Ad Micro P	3.00	17.3	5	1096	17⅞	16¼	17⅜	+1
9⅛	4⅞	Advest Grp	0.16	2.7	12	42	6⅛	5⅞	6	+⅛
42¼	33	Aegon ADR	1.35	3.2	7	343	41¾	41½	41⅝	+⅛
47	38	Aetna U	2.76	6.4	12	877	43⅜	43	43⅛	-½
12¼	6⅛	Affil A x	0.24	2.0	15	2465	12	11⅛	11¾	+½
34	24	Aflac x	0.44	1.5	13	1710	30⅛	29⅜	29¾	+⅛
19¾	13	Ahmanson	0.88	5.9	7	340	15⅛	15	15	-⅛
22½	4	Aileen Inc			11	1031	7¼	6⅞	6¼	-⅛
49½	36½	Air Pr Chm	0.86	1.9	18	857	45⅞	45⅜	45¾	-⅛
29¾	12½	Airbne Frt	0.30	1.6	102	320	18½	17⅞	18½	+½
40¼	22⅝	Airgas Inc			29	116	39⅛	38⅝	38⅞	-⅛
12⅛	8⅛	Airlease	1.68	15.3	8	29	11	10⅞	11	+⅛
104	99½	AlaP 8.16	8.16	8.1		z100	101½	101½	101½	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37¾	16⅝	Schwab(C)	0.24	1.0	12	815	23¼	22⅝	22½	+⅛
10⅝	4½	Schwitzer			65	22	6⅝	6⅛	6⅛	
35⅞	15¼	ScientAtln	0.18	0.5	40	2006	u35⅞	35½	35⅞	+½
10⅝	7⅛	Scotman	0.10	1.1	75	57	9	9	9	
46	34½	ScotPaper x	0.80	2.3	72	701	35⅛	35⅛	35⅛	−⅛
17½	13½	ScuddrNAsF	0.22	1.5		91	14⅝	14½	14⅝	
9⅛	8	ScuddrNEaF	0.20	3.8		68	8⅛	d8	8	−⅛
24	13	Sea Contrs	0.45	3.0	8	128	14⅞	14	14⅞	+⅝
16⅝	14⅞	SeaC1.4625	1.46	9.6		9	u15¼	15¼	15¼	−¼
31	25⅛	Seagram Co	0.56	2.2	13	2308	25½	d25⅛	25½	+⅛
32½	21⅝	Seagull En			86	1462	u33⅛	32¼	32¾	+⅝
28½	20½	Sealed Air			21	67	22⅝	22¼	22¼	+¼
23	12⅛	SPX Corp x	0.40	1.9	15	78	20⅞	20⅝	20⅝	+⅛
48	37	Sears Roeb	2.00	4.7	37	2226	43	42¾	42⅞	
13¾	11⅞	Seligm Sel	0.84	6.9		91	12¼	12¼	12¼	+⅛
31¼	22½	Sensormat	0.30	1.0	25	889	30	29	30	+⅞
51	33¾	Sequa A	0.60	1.6	28	84	37¾	37½	37½	+¼
58	41	Sequa B	0.50	1.2	21	6	40½	d40½	41	
18⅝	13⅛	ServiceCpI	0.40	2.3	18	1046	17⅝	17⅛	17⅛	−⅛
29⅞	22	Servicemr	1.19	4.2	11	252	28⅛	27⅞	28	+⅛
28⅞	17	Shaw Ind	0.30	1.2	25	836	26¼	26	26	−¼
19¼	8⅞	Shawmut N.	1.00	6.2	25	3202	16⅝	16¼	16¼	
10¼	6⅞	Shelby Wil	0.24	2.9	39	7	8⅝	8½	8⅝	+⅛
58½	45⅝	Shell Tr&T	2.75	5.4	11	108	50½	50¼	50½	+¼
30⅞	25⅞	Shenlo Wi x	0.44	1.5	17	649	29⅝	29⅛	29⅝	+⅛
27¼	15¼	Shoneys			20	1282	23¾	23½	23¾	−¼
[illegible]										

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
6⅝	4¼	Terra Inds			9	398	[illegible]			
6⅝	2½	Tesoro Pet			1	147	[illegible]			
66⅞	56⅛	Texaco	3.20	5.3	16	3876	[illegible]			
54½	52	Texaco C	3.75	7.1		15	[illegible]			
25¼	19¼	Texas Ind	0.20	1.0	48	38	[illegible]			
52¼	30	Texas Inst	0.72	1.8	18	24108	[illegible]			
23¼	16⅞	Texas Pac	0.40	2.4	31	60	[illegible]			
43⅝	37	Texas Util	3.04	7.1	12	5874	[illegible]			
10¼	6⅛	Textl Pf	1.10	10.8		4	[illegible]			
6⅛	4⅞	Textl Inds	1.10	18.9	7	60	[illegible]			
41	33⅝	Textron	1.12	2.7	10	1480	[illegible]			
6⅛	4⅛	Thackeray			27	15	[illegible]			
11½	7⅛	Thai Cap	0.25	2.4		172	[illegible]			
18⅝	13¾	Thai Fund	2.72	16.1		61	[illegible]			
47½	37½	ThermoElec	0.13	0.3	20	659	[illegible]			
17¾	12¾	Thiokol	0.40	2.5	5	56	[illegible]			
69	54⅛	Thomas & B	2.24	3.5	26	131	[illegible]			
14⅞	8⅞	Thomas Ind	0.40	4.8	57	16	[illegible]			
19½	13	Thomsn M	1.28	7.0	7	40	[illegible]			
21	11⅞	Tidewater	0.15	0.8	67	1858	[illegible]			
52⅞	23	Tiffany	0.28	0.9	24	3273	[illegible]			
52¼	46¼	TimeWar8.75	4.38	9.1		863	[illegible]			
29¼	21⅞	TimeWrner	0.28	1.0	17	6582	[illegible]			
54½	48½	TimeWin11.0	1.10	2.0		322	[illegible]			
38⅞	28½	TimesMirr x	1.08	3.5	34	744	[illegible]			
38½	23⅞	Timken x	1.00	3.7	24	389	[illegible]			
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
11⅛	8	ZenithElec			2	458	9	8⅝	8⅞	+⅛
19½	14½	Zenith Nat	1.00	5.9	8	80	16⅞	16⅝	16⅞	+⅛
7⅛	6	Zeolz Inc x	0.85	12.5		114	6⅞	6⅝	6⅞	
13¾	10	Zero Corp	0.40	3.0	20	72	13⅛	12¾	13⅛	+⅛
38	27⅛	Zurn Ind	0.88	2.4	40	52	36¼	35⅞	36	−⅛
14⅛	12	Zweig Fund	1.12	8.7		128	13	12⅞	12⅞	
11	9½	Zweig Tot x	0.96	9.6		308	10	9⅞	10	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm November 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Bowmar		14	23	2 7/16	2 7/16	2 7/16	−1/16
Bowne	0.30	6	67	14⅛	14	14⅛	+⅛
Braztan A	0.87	21	112	10	d9⅞	9⅞	
SBN Corp	0.16	21	391	12½	12⅛	12⅛	+⅛
Cal Engy		16	91	15	15	15	+⅛
Calprop		0	32	⅞	11/16	11/16	
Can Marc x	0.20	7	14	10⅛	d10⅛	10⅛	
Chmbrs A	0.01	58	444	4⅝	4⅝	4 7/16	−1/16
Chmbrs		6	12	4⅝	4⅝	4⅝	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Forest La		32	169	41	40⅞	41	
Frequency		460	29	4½	4½	4½	
Fr oLow		21	676	47⅞	47⅛	47⅞	+⅞
Giant FdA	0.68	17	226	20⅛	20⅛	20⅛	−⅛
Glatfltr	0.70	12	6411	18	17⅞	18	+⅛
Goldfield		2	169	½	½	½	
Greenman		8	8	5⅞	5⅞	5⅞	
Gulf Cda	0.34	4	131	3 13/16	3⅞	3⅞	
Hasbro	0.20	16	1667	33⅞	33⅛	33½	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Moog A		17	4	4⅞	4⅞	4⅞	
NBR Expl		2	20	⅝	⅝	⅝	
Nat Patnt		3	185	2½	d2 7/16	2 7/16	−1/16
New Line		28	79	12⅞	12⅝	12⅞	+⅛
NY TimesA	0.56	70	446	27⅞	27½	27⅞	+⅛
NthCanOil	0.17	53	36	9⅞	9⅞	9⅞	
Numac Oil		2	26	4⅛	4⅛	4⅛	
NV Ryan		0	95	5/16	¼	¼	−1/16
Oneita A		64	12	5⅛	5⅛	5⅛	+⅛
Oriles x	0.32	27	213	32⅞	32⅞	32⅞	+⅛
Pegasus G	0.10	27	743	13⅛	13	13	−⅛
Perini	0.80	16	45	18½	18	18½	+⅛
Pet H&P	1.14	11	3	16½	16½	16½	+⅛
Phil LD	0.25	15	87	37⅛	37	37⅛	
Pitney A	1.10	18	21	u34⅝	33⅞	34	−⅛
Pl Gas x	0.12	21	70	10½	10⅛	10½	
PMC	0.68	16	218	u12⅞	12⅛	12⅛	+⅛
PresidioA	0.10	0	27	1 3/16	1 3/16	1 3/16	
Prim Cab		0	8	3/16	3/16	3/16	
RMI Cp		2	201	2 13/16	2¾	2 13/16	
Rialto		12	12	8⅛	7⅞	7⅞	−⅛
SJW Corp	1.98	6	30	32½	31⅞	32½	+⅛
SthnUnion		45	26	14⅝	14⅝	14⅝	−⅛
Sterl El		16	393	6⅛	6	6⅛	
TII Ind		14	300	1⅝	1 9/16	1⅝	+1/16
Tab Prods x	0.40	35	8	11	11	11	+⅛
Tel&Data	0.32	30	306	38	37⅞	38	+⅛
Thermedic		109	156	10	9⅞	9⅞	
Thermoins		30	126	u32½	31⅞	32½	+½
Total Pet	0.46	14	570	6⅛	5	6	−⅛
TownCntry		0	18	1⅛	1⅛	1⅛	
Tubos Mex		7	423	5⅛	5⅛	5⅛	
UnFoodsA		4	20	1⅝	1⅝	1⅝	
UnFoodsB	0.20	4	5	1 11/16	1 11/16	1⅝	+1/16
UnivPats		45	29	10⅝	10½	10⅝	
US Cellul		86	81	22⅛	21⅞	22⅛	+½
[illegible]							
WIRET	1.12	18	58	13	12⅞	13	
Worthen	0.15	10	79	25⅛	24⅞	25	
Xytronix		9	6	8⅛	8⅛	8⅛	+⅛

NASDAQ NATIONAL MARKET

3 pm November 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		22	2782	21	19¾	20¼	+⅛
Xoma Corp		4	1024	10	9¼	9¾	
Yellow Fr	0.94	22	753	29⅝	28⅞	29¼	
York Rsch		7	246	7	6¾	6 13/16	+1/16
ZionsUtah	1.44	11	177	68¼	67	68¾	

AMERICA

Good earnings reports offset economic data

Wall Street

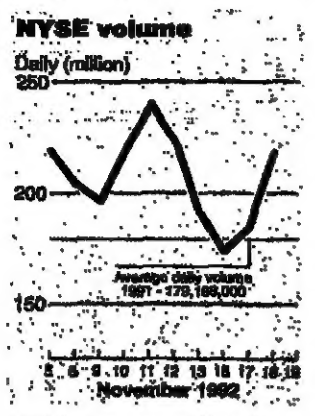
DESPITE some unexpectedly bad economic news, US stock markets held their ground yesterday thanks to some good earnings reports, *writes Patrick Harverson in New York.*

By 12.30pm the Dow Jones Industrial Average was up 0.53 at 3,207.90, having spent all morning only a few points in positive territory. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.01 at 422.84, while the Amex composite was up 1.15 at 387.64 and the Nasdaq composite firmed 3.29 to 638.15. Turnover on the NYSE was heavy at 124m shares by 12.30 pm, and rises outnumbered declines by 835 to 744.

After a series of better-than-expected economic data, market sentiment was hit by two disappointing reports yesterday morning. The Labor department announced a 31,000 rise in weekly jobless claims to a new total of 386,000, an increase which was much higher than forecast. Similarly, analysts were caught out by the Commerce Department's report of a 1.1 per cent drop in October housing starts.

There was one piece of good news, however. The Philadelphia Federal Reserve reported that its measure of regional manufacturing activity is up sharply this month, an indication that the local economy is coming back to life.

There was also some good corporate news for the market. Campbell Soup rose $1¼ to



$43⅝ in turnover of ½m shares after the food group announced a 21 per cent increase in profits to $156.6m and a 10 per cent increase in sales to $1.7bn during the third quarter.

Owens-Corning rose $1¼ to $30⅝ after Merrill Lynch, the Wall Street broking house, raised its fourth-quarter profits forecast from 36 cents a share to 41 cents a share.

Morgan Stanley eased $¼ to $53 after the big securities company reported a small drop in third-quarter profits to $110.6m. The results were in line with market expectations.

Transamerica jumped $1⅜ to $45 after the financial services conglomerate announced that it was floating a majority of its property-casualty insurance operations. The company had previously announced that it would dispose of the units.

ADRs in Sony Corp dropped $1 to $30⅞ after the Japanese electronics and entertainment giant reported that consolidated pre-tax profit for the first half fell 61 per cent.

AT&T firmed $⅛ to $47 on the news that the telecommunications group plans to sell 15 per cent of its AT&T Capital leasing subsidiary in a offer to the public.

On the Nasdaq market, National Computer dropped $2⅝ to $14¼ after reporting third-quarter net income of 23 cents a share, down from 25 cents a share a year earlier and below analysts' forecasts.

Canada

TORONTO was steady at midday as the TSE 300 index added 0.32 to 3,232.00 in volume of 17.7m shares. Among active stocks, Continental Pharma A shares rose 5 cents to C$2.45, Royal Trustco put on 1 cent to C$2.69 and PWA Corp put on 14 cents to C$1.54.

ASIA PACIFIC

Nikkei rises for second day as volume improves

Tokyo

TWO-WAY trade supported activity as the Nikkei average rose moderately to post its second consecutive gain, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 92.47 higher at 16,871.31 after a high of 17,007.82 and a low of 16,801.81. The high was registered in the morning on buying by public pension funds and dealers, but share prices lost momentum as profit-taking and position-squaring eroded some of the initial gains.

Volume remained firm at 320m shares against 347m. Advances led declines by 609 to 382 with 142 unchanged, the Topix index of all first section stocks rose 3.32 to 1,274.53 but in London the ISE/Nikkei 50 index fell 7.47 to 1,016.84.

Index-linked buying and arbitrage-related trading also drove up share prices, while companies took profits on tokkin, or specified money trusts. Traders said that buy orders placed at lower levels by public funds and life assurers were providing a firm support at the 16,000 level.

Mr Yasuhiko Jinza, of the stock investment division at Nippon Life, Japan's largest life assurer, said that the Nikkei would probably move between a range of 16,000 to 19,000: "We bought on Wednesday since we feel 16,000 is the bottom of the near-term range," he said.

Banks, higher on Wednesday on active short-covering, were mixed. Sanwa Bank, recently reported to be the top earner among commercial banks, rose Y20 to Y1,490. However, Industrial Bank of Japan fell Y10 to Y2,370 on profit-taking and Fuji Bank lost Y10 to Y1,770.

Electronics issues ran into profit-taking by foreign investors. Many Japanese institutional investors also believe that electronics issues have room for a further fall due to poor earnings prospects. Hitachi fell Y7 to Y726, Matsushita Electric Industrial lost Y10 to Y1,070 and Sony lost Y130 to Y3,830. Steelmakers were lower on liquidations by corporate investors. Nippon Steel fell Y3 to Y285 and Kobe Steel lost Y4 to Y296.

Roadbuilders rose on reports that the ruling Liberal Democratic Party would apply for Y78,000bn in a five-year road construction project. Maeda Road Construction gained Y70 to Y2,650 and Nippon Hodo gained Y40 to Y1,940.

In Osaka, the OSE average gained 129.55 to 18,211.62 in volume of 40.2m shares.

Roundup

THE REGION was again volatile and mixed.

BANGKOK reacted again to the SEC action against a major investor and the SET index dropped 33.87 or 3.9 per cent to 834.17 in thin turnover of Bt6.49bn. The index has lost 128.86 or 13.4 per cent in the past 10 trading days.

The Finance Ministry set up a Bt5bn fund on Wednesday to help shore up the market, but brokers thought that the money had not yet come into the market.

BOMBAY extended its decline, as the BSE index dropped 101.45 or 4 per cent to 2,423.26 on heavy selling sparked by payment defaults in Calcutta.

State-owned investment institutions failed to support the market, dealers said.

JAKARTA focused on the failure of Bank Summa and its effects on PT Astra International, with major owners invloved in both cases. The official index closed 1.86 lower at 288.81.

AUSTRALIA saw results as expected from Westpac and National Australia Bank and the upbeat tone of the previous two days continued, with some overseas interest and local institutions beginning to buy again.

The All Ordinaries index closed 16.9 higher at 1,392.0, lifted initially by News Corp's overnight gains in the US ahead of Friday's release by its Fox film division of Home Alone II. Locally, the stock gained A$1 to A$28.50, a record high.

HONG KONG converted a morning slide of 3.5 per cent into a slight upturn at the close. The Hang Seng index ended 7.08 higher at 5,855.41 against an intraday low of 5,642.71 on selling motivated by the Sino-British row over the future of the colony.

TAIWAN extended its Wednesday's recovery with a futher 2.1 per cent gain. The weighted index closed 22.28 higher at 3,682.38 in turnover up from T$11.5bn to T$13.6bn.

SEOUL gained 11.24 to 632.49 in a technical rebound led by buying interest in Kepco.

SOUTH AFRICA

JOHANNESBURG ended mixed with the all-share index 13 lower at 3,039. Industrials fell 25 to 4,066 as index-linked shares posted losses despite two-way trade in late afternoon, and the gold index finished 10 weaker at 766.

High interest rates depress Istanbul

After a miserable year, Turkish equities are looking cheap, says John Murray Brown

Dashed hopes on inflation and high real interest rates have given Turkish equities a miserable year, but if one thing can be said with confidence it is that they have probably never been cheaper.

According to data provided by the IFC, part of the World Bank, Turkish equities have been the worst performers in its emerging markets table, falling by 58.8 per cent in dollar terms from the start of the year to the end of October, and showing no improvement by mid-November.

As many as 35 stocks of the 145 traded are now below their nominal value, market capitalisation has fallen to $9.5bn from $15bn in November last year, and daily turnover has dropped to around $11m from $80m a year ago.

The stock market has been driven lower by high interest rates, and with little let-up in inflation, the pressure looks set to continue.

The state-owned Ziraat, the country's largest bank, is now offering 73 per cent on yearly deposits.

This reflects a resurgence in inflation, after a slowdown over the summer. Consumer prices jumped in September and October, pushing the annual inflation rate to 69.2 per cent, way above the government's 1992 target of 42 per cent.

The market, which lacks large institutional investors to provide much-needed liquidity, has been deserted by local retail investors who have provided much of the impetus in the past. They are putting their money elsewhere, into time deposits or into gold.

Institutional reform has been slow. The government has still to approve legislation to provide tax breaks for mutual funds to encourage them to invest in equities.

"There is still little concept of fund management in Turkey. You're either in one thing or the other. There is no idea of diversifying a portfolio," says Ms Radhika Ajmera director of Abtrust, which manages the Turkey Trust – one of the few country funds investing in Turkish stocks.

The government has taken some measures to encourage investment in the stock market. For example, it has made insider trading illegal. "We've passed 17 regulations since May," says Mr Yaman Aşikoğlu, head of the Capital Markets Board, the government watchdog authority. "Even if nothing else is done, the mere fact that it's now law is sufficient to bring offenders to court."

While investors are not falling over themselves to return, there is nonetheless a growing feeling that the market may finally be approaching the bottom.

Some blue-chip companies are reporting good earnings growth, beating the government's own target of 5-6 per cent for the economy in 1992. The favoured sectors are those with strong cash flow and low debt, a major problem in view of the country's high real interest rates, and companies which have a well-established franchise in the domestic market.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: Oct 31 1992	% Change over month	% Change on Dec '91	Local currency terms: Oct 31 1992	% Change over month	% Change on Dec '91
Latin America							
Argentina	(29)	833.03	-8.5	-35.1	45,751,964	-8.5	-35.6
Brazil	(69)	103.07	-12.9	-1.8	253,343,067	+9.3	+623.9
Chile	(35)	1,841.32	+8.4	+19.4	5,309.83	+7.6	+18.9
Colombia	(20)	1,113.60	-3.4	+38.1	7,750.31	-2.3	+55.3
Mexico	(66)	1,549.06	+16.3	+6.9	25,018.62	+17.7	+8.1
Venezuela	(17)	417.16	-8.3	-38.3	4,199.36	+0.6	-23.4
East Asia							
South Korea	(91)	261.34	+26.4	-8.6	247.28	+26.3	-5.7
Philippines	(30)	1,924.90	-1.3	+33.9	2,337.93	-3.4	+22.9
Taiwan, China	(70)	480.46	+1.6	-23.7	305.60	+2.3	-24.9
South Asia							
India	(62)	351.03	-12.8	+27.5	793.25	-12.9	+39.0
Indonesia*	(63)	64.46	+2.1	+15.6	73.16	+2.0	+18.9
Malaysia	(62)	195.39	+7.7	+29.0	191.80	+8.4	+19.0
Pakistan	(58)	255.28	+3.8	-20.1	415.67	+3.9	-18.7
Thailand	(51)	423.01	+13.0	+33.4	394.23	+13.2	+34.7
Euro/Mid East							
Greece	(32)	285.62	-17.2	-35.8	414.07	-9.0	-26.7
Jordan	(27)	104.93	-0.9	+9.1	166.28	-0.3	+8.5
Portugal†	(30)	351.89	-14.2	-18.1	312.31	-6.1	-15.5
Turkey‡	(25)	35.07	-15.8	-58.8	357.96	-9.4	-36.5

Source: International Finance Corporation. Base data: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.

EUROPE

Sweden rallies on decision to float krona

INFLUENCES on bourses were powerful and varied yesterday, with Sweden elevated by a sinking currency and France depressed by a big sell program, *writes Our Markets Staff.*

STOCKHOLM rallied 4.1 per cent in heavy trading on speculation, confirmed just before the close, that the krona would be floated. The government also announced an economic crisis package which included corporate tax cuts.

Exporters and forestry shares gained the most, as the Affärsvärlden general index rose 29.90 to 754.8 and turnover surged to SKr1.25bn from SKr686m. Swedish shares traded in London rose further in the afternoon.

Astra, the most heavily traded share, saw its B shares rise SKr19 to SKr622 while Ericsson B shares firmed SKr10 to SKr142. Volvo B put on SKr19 to SKr275.

OSLO's all-share index closed at the day's high of 342.13, up 4.11, on speculation that Sweden's move might force Norway to devalue its currency.

PARIS dropped on heavy selling, the most prominent seller being James Capel. James Capel declined to comment, other than that it had executed a very large sell order, but there was talk that the broker had sold £60m worth of French equities on behalf of either a UK or a US client. The CAC 40 index fell 36.84 or 2.1 per cent to 1,722.33 in heavy turnover of FFr2.4bn, up from FFr1.76bn.

Euro Disney dropped FFr5 or 6.8 per cent to FFr68 as investors questioned the theme park's decision to pay a dividend for the year ended September, during which it had made a loss of FFr188m.

Elf dropped FFr13.40 to FFr331.20 on reports of a big seller in the market, while BSN fell FFr14 to FFr953 as another broker downgraded its forecasts for the food company.

FRANKFURT saw a recovery in Daimler after its fall earlier in the week and a fall in BASF on poor interim results. The DAX index added 6.60 to 1,551.65 in turnover of DM5.5bn after Tuesday's DM5.1bn. The market was closed on Wednesday.

Daimler may have avoided serious scrutiny, with interest overshadowed yesterday by events in Sweden. After falling earlier this week on a forecast of a 22 per cent drop in 1992 profit, it recouped DM6.30 to DM544.

BASF fell DM5.50 to DM210 after a 72 per cent drop in third-quarter earnings. Ms Jackie Ashurst, chemicals analyst at James Capel, said the outcome was even worse than the market's poor expectations and brought current forecasts of a DM2 cut in the dividend to DM10 into question.

Lufthansa rewarded its fans, rising DM5.50 to DM105.50 on news that in the third quarter of 1992 its operating result had practically broken even and that earnings turned positive in September for the first time this year.

MILAN continued to consolidate and the speculative fizz evaporated from targeted stocks. The Comit index fell 11.67 or 2.4 per cent to 464.72 as turnover fell from L327bn to an estimated L250bn.

Banca di Roma lost L155 or 6.5 per cent to L2,245 and Credito Italiano fell L55 to L2,675. Rinascente, sought after recently on speculation that Fiat would sell its controlling stake in the retailer, dropped L830 or 9.9 per cent to L7,550 on profit-taking.

But the brandy and spirits maker Buton added another L420 to L3,720.

MADRID retreated a little after a strong start as the general index closed 3.44 higher at 215.48 after 216.62 at the end of the morning. Volume stayed high at an estimated Pta30bn.

However there were sharp individual fluctuations, Telefonica closing Pta5 lower at Pta1,120 after hitting Pta1,120 at one point and Iberdrola I ending Pta4 lower at Pta673 after topping out at Pta697.

Over-sold construction stocks mostly held on to strong gains, as Dragados rose Pta115 to Pta1,225.

ZURICH saw a recovery in banks on a decline in Swiss interest rates, following central bank moves this week to improve liquidity and ease money market tension. Union Bank rose SFr9 to SFr803, SBC by SFr6.50 to SFr262 and CS Holding by SFr20 to SFr1,905.

FT-SE Actuaries Share Indices

November 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1055.06	1055.22	1055.17	1054.06	1052.88	1055.86	1053.91	1047.93
FT-SE Eurotrack 200	1115.65	1114.19	1114.26	1114.70	1112.79	1117.18	1115.07	1110.76

	Nov 18	Nov 17	Nov 16	Nov 13	Nov 12
FT-SE Eurotrack 100	1051.36	1056.32	1058.27	1069.26	1059.91
FT-SE Eurotrack 200	1106.58	1109.86	1110.19	1114.93	1120.89

Base value 1000 (26/10/90) High/day: 100 - 1055.86; 200 - 1118.00 Low/day: 100 - 1047.78 200 - 1110.01 †Partial

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	Wed Nov 18 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Tue Nov 17 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1992 High	1992 Low	Year ago (approx)
Australia (68)	109.76	+1.2	106.99	86.28	91.16	106.11	+0.9	4.59	108.41	105.74	85.32	90.07	105.20	153.68	108.16	155.01
Austria (19)	140.89	+1.0	137.34	110.75	117.02	116.34	+0.2	2.42	139.44	136.01	109.74	115.85	116.12	186.70	138.61	174.25
Belgium (42)	135.34	+0.2	131.93	106.38	112.41	109.48	-0.2	5.63	135.14	131.81	106.35	112.27	109.65	152.27	134.41	136.07
Canada (114)	111.76	+0.4	108.93	87.84	92.81	103.18	+0.4	3.36	111.36	108.62	87.63	92.51	102.81	142.12	111.38	139.49
Denmark (34)	198.62	-0.9	193.61	156.13	164.96	165.73	-0.7	1.65	200.46	195.52	157.76	166.54	166.92	273.94	184.18	261.95
Finland (15)	66.99	+0.2	65.30	52.66	55.64	71.56	-0.2	1.87	66.89	65.24	52.64	55.57	71.73	89.80	52.84	82.84
France (99)	144.20	-0.5	140.56	113.34	119.75	121.92	-0.3	3.70	144.67	141.31	114.01	120.35	122.32	169.75	144.20	142.26
Germany (64)	105.67	+0.0	103.20	83.23	87.93	87.93	+0.0	2.62	105.84	103.23	83.30	87.93	87.93	129.89	102.51	114.07
Hong Kong (53)	237.38	-4.1	231.37	186.57	197.15	235.82	-4.0	3.81	247.39	241.30	194.69	205.54	245.68	262.28	178.36	173.74
Ireland (16)	123.48	+0.4	120.36	97.06	102.55	104.34	-0.3	5.25	122.98	119.95	96.78	102.17	104.70	173.71	122.98	162.48
Italy (77)	61.50	-1.8	59.95	48.34	51.07	62.74	-1.5	3.31	62.60	61.06	49.26	52.01	63.72	80.86	47.47	71.92
Japan (472)	102.53	+4.4	99.94	80.59	85.17	80.59	+4.3	1.05	98.23	95.81	77.30	81.62	77.30	140.95	87.27	133.99
Malaysia (69)	274.71	-0.7	267.78	215.93	228.15	267.04	-0.8	2.45	276.66	269.85	217.71	229.84	269.09	282.42	212.49	205.02
Mexico (18)	1499.35	+1.6	1461.49	1178.54	1245.27	5101.54	+1.3	1.18	1477.27	1440.91	1162.59	1227.31	5035.30	1789.77	1186.84	1302.06
Netherland (25)	149.36	-0.6	145.59	117.40	124.05	122.47	-0.6	4.64	150.23	146.53	118.22	124.81	123.25	169.70	147.88	148.54
New Zealand (13)	39.31	+1.4	38.32	30.90	32.65	40.35	+1.4	5.62	38.77	37.82	30.52	32.22	39.80	48.52	37.39	47.23
Norway (22)	128.05	-1.2	124.82	100.66	106.35	113.02	-1.3	2.14	129.64	126.45	102.03	107.71	114.55	192.85	128.05	176.19
Singapore (38)	195.45	-1.0	190.52	153.63	162.33	147.17	-1.2	2.24	197.46	192.60	155.40	164.05	149.01	229.63	179.65	206.81
South Africa (60)	136.61	-2.7	133.16	107.38	113.46	146.70	+0.7	3.50	140.47	137.01	110.54	116.70	145.68	263.60	136.61	263.34
Spain (48)	115.57	+3.9	112.65	90.84	95.98	99.98	+3.4	6.01	111.25	108.51	87.55	92.43	96.71	161.72	107.10	149.19
Sweden (31)	154.11	-0.5	150.22	121.14	128.00	138.88	+0.5	2.82	154.91	151.10	121.92	128.70	138.23	200.26	149.69	172.19
Switzerland (60)	102.40	-0.7	99.82	80.50	85.06	92.44	-0.5	2.32	103.15	100.61	81.18	85.71	92.92	122.37	95.99	97.17
United Kingdom (226)	163.48	+0.9	159.36	128.49	135.77	159.36	+0.9	4.60	161.97	157.98	127.45	134.55	157.98	200.07	161.86	177.83
USA (522)	172.91	+0.8	168.54	135.92	143.62	172.91	+0.8	2.94	171.49	167.27	134.97	142.48	171.49	173.39	160.92	154.03
Europe (780)	132.32	+0.3	128.98	104.01	109.90	118.38	+0.3	3.94	131.97	128.72	103.86	109.64	119.07	156.88	131.85	141.79
Nordic (102)	143.87	-0.7	140.24	113.09	119.49	121.74	+0.0	2.39	144.86	141.29	114.00	120.35	121.79	189.52	141.24	178.51
Pacific Basin (713)	107.17	+3.6	104.46	84.24	89.01	85.96	+3.4	1.40	103.47	100.93	81.43	85.97	83.10	141.97	93.70	135.42
Euro-Pacific (1493)	117.34	+2.0	114.38	92.23	97.45	99.38	+2.0	2.58	115.00	112.17	90.50	95.54	97.46	145.21	113.80	138.29
North America (636)	169.12	+0.8	164.85	132.95	140.48	168.18	+0.8	2.95	167.76	163.63	132.04	139.40	166.83	170.49	158.70	153.05
Europe Ex. UK (552)	113.35	-0.2	110.49	89.12	94.16	97.58	-0.2	3.47	113.59	110.79	89.41	94.39	97.73	132.98	112.24	120.19
Pacific Ex. Japan (241)	152.72	-1.5	148.87	120.07	126.86	140.59	-1.6	3.77	155.02	151.20	122.01	128.80	142.86	175.31	149.00	149.47
World Ex. US (1685)	118.20	+1.9	115.22	92.92	98.17	101.26	+1.9	2.59	115.99	113.13	91.29	96.36	99.37	146.91	115.96	140.38
World Ex. UK (1979)	133.08	+1.5	129.72	104.62	110.54	119.70	+1.5	2.52	131.11	127.89	103.19	108.94	117.93	150.58	127.21	140.71
World Ex. So. Af. (2147)	135.84	+1.5	132.41	106.79	112.83	122.96	+1.4	2.73	133.86	130.57	105.36	111.22	121.21	153.05	130.04	143.14
World Ex. Japan (1735)	154.53	+0.5	150.63	121.48	128.36	148.05	+0.5	3.32	153.80	150.02	121.05	127.80	147.30	185.40	151.93	150.58
The World Index (2207)	135.73	+1.4	132.30	106.69	112.74	123.22	+1.4	2.74	133.80	130.50	105.30	111.16	121.47	153.70	130.66	143.94

Constituent change with effect 20/11/92: Deletion: Union Energy (Canada). Latest prices were unavailable for this edition.
German market closed November 18.